

GENERAL PURPOSE STANDING COMMITTEE NO. 1

Monday 26 November 2012

Examination of proposed expenditure for the portfolio area

TREASURY

The Committee met at 1.00 p.m.

MEMBERS

Reverend the Hon. F. J. Nile (Chair)

The Hon. C. Cusack
The Hon. G. J. Donnelly
Dr J. Kaye

The Hon. M. R. Mason-Cox
The Hon. M. J. Pavey (Deputy Chair)
The Hon. W. Secord

PRESENT

The Hon. Mike Baird, *Treasurer, and Minister for Industrial Relations*

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

Corrections should be marked on a photocopy of the proof and forwarded to:

**Budget Estimates secretariat
Room 812
Parliament House
Macquarie Street
SYDNEY NSW 2000**

PHILIP GAETJENS, Secretary, NSW Treasury,

KEVIN COSGRIFF, Deputy Secretary, Fiscal and Economic Directorate, NSW Treasury, and

CARALEE McLEISH, Deputy Secretary, Human and Social directorate, NSW Treasury, on former oath:

MARK RONSISVALLE, Deputy Secretary, Budget and Financial Management Directorate, NSW Treasury,

TIM SPENCER, Deputy Secretary, Commercial Policy and Financing Directorate, NSW Treasury, and

MATTHEW ROBERTS, Deputy Secretary, Economic, Environment and Communities, NSW, Treasury, on former affirmation:

CHAIR: I declare this supplementary hearing of the inquiry into the Budget Estimates 2012-13 open to the public. I welcome Treasurer Baird and accompanying officials to this supplementary hearing. Today the Committee will examine the proposed expenditure for the portfolio of Treasury. Before we commence I will make some comments about procedural matters. In accordance with the Legislative Council guidelines for broadcast of proceedings, only Committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photos. In reporting the proceedings of this Committee, members of the media must take responsibility for what they publish or any interpretation they place on anything said before the Committee. The guidelines for the broadcast of proceedings are available on the table by the door.

Any messages from advisers or members' staff seated in the public gallery should be delivered through the Chamber and support staff or the Committee clerks. Treasurer, I remind you and the officers accompanying you that you are free to pass notes and to refer directly to your advisers seated at the table. Transcripts of this hearing will be available on the web from tomorrow morning. Treasurer, the House has resolved that answers to questions on notice must be provided within 21 days. I remind everyone to turn off their mobile telephones. None of the witnesses appearing today are required to swear an oath or make an affirmation prior to giving evidence as they did so at the earlier budget estimates Treasury hearing. Treasurer, I remind you that you do not need to be sworn as you already have sworn an oath to your office as a member of Parliament. I declare the supplementary hearing into the Treasury portfolio open for examination. As there is no provision for a Minister to make an opening statement before the Committee commences questioning, I will ask questions before the Opposition.

As you are aware, one of my main concerns, as I am sure it is of other Committee members, in calling you and your officials to return to a supplementary hearing was the report of the Auditor-General, who was very critical of the budget and its results when he conducted an examination. To quote, he said:

... a \$1 million error is unfortunate, a \$10 million error is undesirable but a \$100 million error is totally unacceptable. The NSW government is a billion dollar business, it is not a school tuckshop.

He went on to say that 37 errors were worth more than \$20 million and two errors were worth more than \$1 billion. Treasurer, what is your explanation for those discrepancies?

Mr MIKE BAIRD: Thanks. This is an opportunity to come back and clean up some of the misinformation that has been put around. Certainly, from our point of view—

CHAIR: Put out by the Auditor-General.

Mr MIKE BAIRD: No, no, I understand the Auditor-General's concerns. From our point of view, we have taken action to address it. This is the key point of difference that we have. In opposition we highlighted both the errors and variances that came with the budget forecast. We commissioned the Commission of Audit to look at that exact issue and it made a number of recommendations. So before this Auditor-General report came out we took action. The report came out and made recommendations earlier this year for a new financial reporting system. We put that money in the budget. It made recommendations in relation to the culture in schools across government. We have started that recruitment process. We have also taken action in asking the Auditor-General to play a role in providing additional assurances of numbers going forward. We have written to every director general and asked them to respond by the end of this month in relation to the errors that were

identified as part of the report and at the same time what actions they are taking to minimise them going forward. We have asked that. We are getting to the bottom of it.

Clearly, the Auditor-General has signed off on the accounts now, but we need to improve. There is no doubt about it and we have said that. What we have done in relation to Treasury, to give you a sense, within my cluster, there were nine of those particular errors. To give you a sense on what they were, six were due to timing. So it is a timing differential. Treasury itself did not have any direct responsibility, but it has responsibility in the Crown. As part of that, there were six. The majority were due to timing issues. So valuations in relation to the Snowy Hydro—the reports and information came in after the accounts were submitted. So from the Auditor-General's point of view that is something that he has picked up. There were others that arose from account classifications, an example being Reliance Rail—a complex transaction and significant restructure. How you classify receivables as part of that was also identified. And the last related to an ongoing difference of accounting interpretation in relation to the Lotteries transaction—receivables from the Lotteries transaction, which was done under the former Government.

So we have taken those on hand. We have taken actions to address them and clearly we will continue. We have asked each of the directors general to come back—in relation to their particular, call it, errors or misstatement—by the end of this month with an appropriate action plan that we will address. We are taking action and that is a big issue. As the Auditor-General said, and he said this very clearly as part of this particular report, these problems have plagued the State's finances for a decade. So we have not ignored them. We have commissioned an expert. We have recommendations. We are taking actions and that was being done well before the Auditor-General produced his report.

The Hon. GREG DONNELLY: Thank you for coming back today. We appreciate you making the time available. Treasurer, I have a quote to read, which is in three parts. The first states:

... I am very aware that one of the principal areas of public distrust relates to donations and the concerns that donations, be they from trade unions or corporations, are resulting in the erosion of integrity of Australian politics.

The second part states:

Political donations are corrosive when the donors seek to influence outcomes, and directly taint or corrupt an impartial process.

The third and final part states:

I have formed the view that donations are at a corrosive level in New South Wales ...

Do you agree with those statements?

Mr MIKE BAIRD: Yes, I do. You are going to quote them from my maiden speech. Knock me out, boys.

The Hon. MATTHEW MASON-COX: I think that is called the counter punch.

The Hon. WALT SECORD: Is it?

The Hon. GREG DONNELLY: I am glad that the—

Mr MIKE BAIRD: This is fascinating, unqualified, because you have been running around on the budget and here you go straight into whatever you can sling mud at in any way, shape or form.

The Hon. GREG DONNELLY: Treasurer, we are asking the questions, not you.

Mr MIKE BAIRD: I understand that. I look forward to it.

The Hon. WALT SECORD: Treasurer, I will start with a simple question. Shop 2, 2 Wentworth Street, Manly. What is that?

Mr MIKE BAIRD: That is my electorate office.

The Hon. WALT SECORD: That is your electorate office, that is right. Are you familiar with a meeting that occurred on 9 December 2010?

Mr MIKE BAIRD: No, I am not.

The Hon. WALT SECORD: A meeting took place involving Advocacy Services Australia Pty Ltd. Does that jog your memory?

Mr MIKE BAIRD: No.

The Hon. WALT SECORD: A meeting took place at that address. In the electoral returns it says that that organisation "paid for a policy briefing" in your electorate office. Are you familiar with it now?

Mr MIKE BAIRD: No.

The Hon. WALT SECORD: You are not familiar with it?

The Hon. CATHERINE CUSACK: Point of order, Mr Chair. The member is making an assertion. He needs to provide evidence of that.

The Hon. WALT SECORD: Well, I will.

The Hon. CATHERINE CUSACK: He is stating it as a fact without—

The Hon. WALT SECORD: I will provide an electoral return.

The Hon. CATHERINE CUSACK: The fact of the meeting?

Mr MIKE BAIRD: What is the meeting, Walt? What are you talking about?

The Hon. WALT SECORD: In light of your comments about political donations, your high moral ground, a group paid you \$1,500 for "a policy briefing". Do you think that is appropriate?

Mr MIKE BAIRD: What group and what policy briefing are you talking about?

The Hon. WALT SECORD: The Hon. Catherine Cusack has just challenged me to provide the electoral return.

The Hon. CATHERINE CUSACK: No, I have challenged you to provide the evidence of the meeting that you are talking about.

Mr MIKE BAIRD: What are you talking about?

The Hon. CATHERINE CUSACK: No-one knows what you are talking about.

The Hon. WALT SECORD: It is on the—

The Hon. CATHERINE CUSACK: You are asserting that there was a meeting—

The Hon. WALT SECORD: It is in the electoral returns.

The Hon. CATHERINE CUSACK: —on the 9th.

The Hon. WALT SECORD: Listen, this is not from Mr Baird; this is from the people who paid for the briefing.

Mr MIKE BAIRD: But what briefing? What are you talking about, Walt?

The Hon. WALT SECORD: It is in the electoral returns.

Mr MIKE BAIRD: What briefing?

The Hon. GREG DONNELLY: A briefing in that office on that day by that organisation that you paid \$1,500 to.

Mr MIKE BAIRD: What organisation?

The Hon. MELINDA PAVEY: You paid \$1,500 to?

CHAIR: That organisation has put these details in its return.

The Hon. GREG DONNELLY: That is correct, yes.

CHAIR: It is not Mr Baird's return.

The Hon. GREG DONNELLY: That is correct.

CHAIR: That may or may not be accurate.

The Hon. CATHERINE CUSACK: Sorry, who paid the money? Did Mike pay the money or did they pay the money?

Mr MIKE BAIRD: But what if they paid, Walt? I mean, for heaven's sake.

The Hon. WALT SECORD: I am sorry, a meeting takes place in your office six weeks out from the State election—several weeks out—a few weeks out from—

The Hon. CATHERINE CUSACK: Three months.

The Hon. WALT SECORD: —from the State election and you have no recollection? It takes place in your office.

Mr MIKE BAIRD: Will you tell me what the meeting is?

The Hon. WALT SECORD: It says here—

Mr MIKE BAIRD: What is the meeting?

The Hon. WALT SECORD: It says "paid for a policy briefing".

Mr MIKE BAIRD: You are going nowhere, mate. What is the briefing? What is the meeting? Who is there?

The Hon. GREG DONNELLY: We are asking you the question.

Mr MIKE BAIRD: Stop talking in cryptics.

The Hon. GREG DONNELLY: We are asking you: Did you provide a briefing to that organisation?

The Hon. CATHERINE CUSACK: You are asserting—

CHAIR: The Treasurer is saying he is unaware of the meeting.

The Hon. CATHERINE CUSACK: You are asserting that it happened.

CHAIR: He may or may not have been present.

Mr MIKE BAIRD: You have to tell me who is at the meeting for me to become aware of it.

The Hon. GREG DONNELLY: We have just explained. You were present.

Mr MIKE BAIRD: You have not told me who was at the meeting.

The Hon. MELINDA PAVEY: A meeting on your own is not a meeting.

The Hon. CATHERINE CUSACK: Who paid who?

The Hon. WALT SECORD: A search of the website shows Advocacy Australia Pty Ltd is in Infrastructure Partnerships Australia. So several months out from an election—

Mr MIKE BAIRD: Oh, you are kidding. Well, good try, mate. So Infrastructure Partnerships Australia, right.

The Hon. WALT SECORD: Pays for a policy briefing from the shadow Treasurer of New South Wales.

Mr MIKE BAIRD: They have not paid for any policy briefing.

The Hon. WALT SECORD: Well, that is what they—

Mr MIKE BAIRD: You are talking rubbish. I mean, for heaven's sake.

The Hon. GREG DONNELLY: Fifteen hundred dollars on their return.

Mr MIKE BAIRD: You are kidding.

The Hon. GREG DONNELLY: Are you denying that you received \$1,500, Treasurer, from that organisation?

Mr MIKE BAIRD: Absolutely I am. Infrastructure Partnerships Australia have donated to the Liberal Party, I am sure that is the case, and I am sure they have donated to the Labor Party.

The Hon. WALT SECORD: Fifteen hundred dollars in your electorate office, in Manly, for a "policy briefing".

The Hon. GREG DONNELLY: That is what is in that return. You are saying you did not receive that \$1,500 payment?

Mr MIKE BAIRD: Absolutely. I do not know what briefing you are talking about, but the issue is if you are trying to say that Infrastructure Partnerships Australia potentially donated to the Liberal Party—

The Hon. GREG DONNELLY: No, donated \$1,500 to you.

Mr MIKE BAIRD: They donated to the Liberal Party.

The Hon. WALT SECORD: To you.

Mr MIKE BAIRD: They donated to the Liberal Party. Do not even start the rubbish. Is that the best you have got, because this is going to be a long day?

The Hon. GREG DONNELLY: No, no, no.

Mr MIKE BAIRD: You are kidding.

The Hon. GREG DONNELLY: You are saying you did not receive—

Mr MIKE BAIRD: You are going to say that Infrastructure Partnerships Australia, which engages with both sides of politics—

Dr JOHN KAYE: Not ours.

Mr MIKE BAIRD: —across a range of infrastructure issues, and if you are trying to assert some sort of case on that, can I say good luck to you?

The Hon. WALT SECORD: Okay, great.

Mr MIKE BAIRD: Honestly. Can I say this, Walt, if you are honestly—I am happy to come back here and front this Committee—

The Hon. WALT SECORD: We will have a supplementary supplementary hearing.

Mr MIKE BAIRD: —because there are concerns in relation to the budget, okay. I am very happy and I have come back on that basis, because the people in this State have every right to know, every right to know in relation to the impacts of the budget, but if you are going to sit here with your mud and make some ridiculous assertions about Infrastructure Partnerships Australia—

The Hon. GREG DONNELLY: We will move on. If you call it a ridiculous statement, you deny the fact of receiving \$1,500, we will move on.

CHAIR: Yes, let us move on and discuss the budget.

The Hon. MATTHEW MASON-COX: The budget, guys.

The Hon. WALT SECORD: Let us move on. You may be familiar with another person.

Mr MIKE BAIRD: Oh, here we go.

The Hon. WALT SECORD: Roger Massy-Greene.

Mr MIKE BAIRD: Oh.

The Hon. WALT SECORD: Roger Massy-Greene. Is there anything you would like to clarify since the last hearing in the area of—

Mr MIKE BAIRD: I would like to say the hide of you to take on the character—

The Hon. CATHERINE CUSACK: Matt—

Mr MIKE BAIRD: —of someone like Roger Massy-Greene—

The Hon. WALT SECORD: Matt Singleton.

Mr MIKE BAIRD: —Maurice Newman and Chum Darvall. This State should be incredibly thankful that we have people of that quality in our State-owned corporations. Let me compare them with your last appointment. What was the last appointment that came to effect? Michael Williamson. Michael Williamson, Australian Labor Party National President—

The Hon. WALT SECORD: Okay.

Mr MIKE BAIRD: National President of the Health Services Union, Australian Council of Trade Unions executive—

The Hon. WALT SECORD: Mr Treasurer, relevance.

Mr MIKE BAIRD: Because he was appointed—you came out the day before the election, effectively. How does that compare to Maurice Newman? He is the Chair of the Australian Stock Exchange—

The Hon. WALT SECORD: We are talking about Roger Massy-Greene.

Mr MIKE BAIRD: —the Chair of the Australian Broadcasting Corporation.

The Hon. WALT SECORD: We are talking about Roger Massy-Greene.

Mr MIKE BAIRD: Okay, Roger Massy-Greene. What was he?

The Hon. GREG DONNELLY: You are avoiding—

Mr MIKE BAIRD: A mining engineer at Rio Tinto—

The Hon. GREG DONNELLY: You are avoiding—

Mr MIKE BAIRD: —the Chair of Excel Coal.

CHAIR: He has answered the question. You raised the man's name.

Mr MIKE BAIRD: He was in corporate finance at Bank of America. We make no apologies. Get your recorder out and get your pens down: we make no apologies for appointing the best possible people in the State-owned corporations. We have a process that goes to Cabinet every single—

The Hon. WALT SECORD: That is right. He is the highest paid chair in New South Wales.

The Hon. MELINDA PAVEY: Order!

Mr MIKE BAIRD: Every single appointment is based on merit and must be approved by Cabinet.

The Hon. GREG DONNELLY: I will come to that. We have questions about the appointment process of Mr Massy-Greene.

Mr MIKE BAIRD: Good.

The Hon. GREG DONNELLY: We had discussions about this at the last budget estimates. You are aware that we were able to eke out that Mr Massy-Greene had given you \$15,000 in donations. Are you aware of a further donation revealed in his return of 9 March 2011 of a further \$5,000? That is a total of \$20,000 to you.

Mr MIKE BAIRD: He donated to the Liberal Party and he donated to the Labor Party.

The Hon. GREG DONNELLY: So you are denying that further \$5,000?

Mr MIKE BAIRD: From my point of view it is about who is the best person for the job. You are going to stand here, on the basis of some of the appointments that you made, such as Michael Williamson—

The Hon. GREG DONNELLY: Treasurer, these are your appointments.

Mr MIKE BAIRD: During the last six months 70 per cent of your appointments went to Australian Labor Party mates or union members. We are standing by the CV.

Dr JOHN KAYE: Point of order: As fascinating as this conversation is, it is hard to follow because there are two or three people speaking at once.

CHAIR: Get back to the budget.

Mr MIKE BAIRD: They wouldn't want to do that; they are not interested in the budget.

The Hon. GREG DONNELLY: We will come to the budget.

Mr MIKE BAIRD: Really?

The Hon. GREG DONNELLY: Yes, we will. Last year in September you were quoted in an article for the Australian Institute of Company Directors.

Mr MIKE BAIRD: We have gone through that.

The Hon. GREG DONNELLY: Bear with me, we are asking the questions. In that article you made it absolutely clear that with respect to the appointment of people to State-owned corporations that an independent panel would determine those appointments. With respect to Networks NSW, was an independent panel used to do a search and ultimately recommend Mr Massy-Greene?

Mr MIKE BAIRD: What I have said is the fact—write it down so you are very clear—that every single appointment that comes from this Government will be based on merit and will go to Cabinet. Do you want to know why that is important? It is because you start to think about the gentrader transaction. Remember that, Walt? Do you remember the gentrader transaction? How about you start explaining to the people of New South Wales—

The Hon. WALT SECORD: Minister, we ask the questions.

Mr MIKE BAIRD: —why on 14 December eight directors resigned—

The Hon. MATTHEW MASON-COX: Point of order, Mr Chair.

Mr MIKE BAIRD: —and you appointed a whole number of mates—

The Hon. GREG DONNELLY: I take it there was no independent panel?

Mr MIKE BAIRD: —to get the gentrader transaction through. What did that do to the State? I'll tell you what it did to the State: You sold those assets for less than half their worth and what you found in the Cobbora transaction you lost as well.

The Hon. GREG DONNELLY: Treasurer, you might have had a medium-rare steak for lunch—

Mr MIKE BAIRD: One and a half billion dollars lost on Cobbora.

The Hon. GREG DONNELLY: —and you are being very bolshie, but the point is this: Did Mr Massy-Greene go through the independent process that you described in September last year and said would be used with respect to the appointment of people to State-owned corporations—yes or no?

Mr MIKE BAIRD: This is a fantastic line of questioning. Let's look at the process around the gentrader transaction.

The Hon. WALT SECORD: Treasurer, why will you not answer the question?

Mr MIKE BAIRD: So the gentrader transaction on 14 December, Walt, what was your action in relation to 14 December? Did you tick off on all the directors? Let me tell you about the directors.

The Hon. WALT SECORD: Will you answer our question?

Mr MIKE BAIRD: Col Gellatly was appointed as a director on 14 December—

The Hon. GREG DONNELLY: Point of order—

Mr MIKE BAIRD: —and he was an adviser on the gentrader transaction.

CHAIR: There is a point of order.

The Hon. GREG DONNELLY: I asked you a straightforward question about whether you followed the process you enunciated in detail in September last year in a range of articles in financial publications about the independent panel that would be utilised.

Mr MIKE BAIRD: I told you very clearly—

The Hon. CATHERINE CUSACK: Mr Chair, can I make a submission to you on the point of order that has just been taken? I would submit that that is not a point of order but is a deliberate interruption of the Treasurer attempting to answer the question. He has been valiantly trying to speak while two members are peppering him with interjections. The Treasurer is entitled to answer the question as he sees fit and it is basic courtesy on the part of members, as agitated as they may be, to sit patiently and wait for the answer—

The Hon. GREG DONNELLY: I am not agitated; I just want a straight answer.

The Hon. CATHERINE CUSACK: —and they can ask a supplementary question should they choose.

CHAIR: Return to your questions.

The Hon. GREG DONNELLY: The Treasurer refuses to answer the questions.

The Hon. MELINDA PAVEY: You are here to ask questions, not to make comments.

The Hon. GREG DONNELLY: We can only assume he didn't follow the questions.

Mr MIKE BAIRD: I've answered the question.

The Hon. GREG DONNELLY: You refuse to confirm you followed the process. Let us move on. In terms of the remuneration for Mr Massy-Greene in his role as chairman and the directors, if you look at the remuneration they are receiving and compare the previous position of chairman with the new position of chairman, you will see we have an increase of \$93,100. There is an increase of \$29,400 from the old director's fee to the new director's fee. The chairman gets three times the increase of the directors. Why would that be so, Treasurer?

Mr MIKE BAIRD: It is a simple proposition. If you look at the details you will see that we have gone from three boards to one.

The Hon. GREG DONNELLY: I read that in your answer to questions on notice.

Mr MIKE BAIRD: We are taking the cost out of—

The Hon. GREG DONNELLY: It does not explain the three times increase.

Mr MIKE BAIRD: Of course it does, Greg.

CHAIR: Order! Let the Treasurer finish his answer.

Mr MIKE BAIRD: It is a much larger entity—almost three times the size.

The Hon. WALT SECORD: Here is the answer.

Mr MIKE BAIRD: It is almost three times the entity. We are saving money, Greg. I think you should be noting the work we are doing to bring down electricity prices—something you ignored while you were in government. What we have done since we have come to power—you asked the questions so I think we should look at it—

The Hon. CATHERINE CUSACK: Just listen.

CHAIR: He is answering your question.

Mr MIKE BAIRD: I am answering the question.

The Hon. MATTHEW MASON-COX: Have the courtesy of listening.

The Hon. GREG DONNELLY: How does that explain why it is three times the increase?

CHAIR: That is what the Treasurer is explaining.

The Hon. GREG DONNELLY: Not for the directors.

CHAIR: Yes.

The Hon. GREG DONNELLY: No, it is not. The directors did not get three times the increase.

Mr MIKE BAIRD: You are boring me, Greg.

The Hon. GREG DONNELLY: I am sorry, Treasurer.

Mr MIKE BAIRD: Can I answer the question? You have asked the question.

The Hon. CATHERINE CUSACK: It is not a debate; the Treasurer gets to answer.

The Hon. WALT SECORD: Is that a point of order, Catherine?

CHAIR: Let the Treasurer answer the question.

Mr MIKE BAIRD: So the question is: Have we reduced the cost of boards?

The Hon. GREG DONNELLY: That was not the question.

Mr MIKE BAIRD: Have we reduced the cost of senior management? Of course we have.

The Hon. GREG DONNELLY: That was not the question.

Mr MIKE BAIRD: Yes, we have. And in relation to that, Greg—

The Hon. GREG DONNELLY: Why did Mr Massy-Greene get three times the increase over the directors?

Mr MIKE BAIRD: —are they providing value for the people of New South Wales? They have cut the infrastructure spend by close to \$2 billion. They identified over \$400 million in operating costs. You have heard the acting chief executive officer of Networks NSW, under the chairmanship of Roger, say they expect increases—

The Hon. WALT SECORD: Roger. Oh, he is Roger.

Mr MIKE BAIRD: Amazing, Walt; that is his name. You have this position that they expect increases for electricity from the networks to be limited to the consumer price index [CPI] from our next rates determination. That is something. Under you it went up 60 per cent over five years.

The Hon. GREG DONNELLY: You are refusing to answer the question.

The Hon. CATHERINE CUSACK: Calm down. Listen to his answer.

The Hon. GREG DONNELLY: It is not an answer. I ask, with respect, why did that chairman get three times—

Mr MIKE BAIRD: The annual wages bill of the chief executive officer and board has been reduced by \$1.5 million.

The Hon. GREG DONNELLY: —the remuneration of the directors?

Mr MIKE BAIRD: The annual wages bill of the boards has been reduced by \$1.5 million.

The Hon. GREG DONNELLY: It has nothing to do with the fact that he is a significant donor to you and the Liberal Party has it, Treasurer?

Mr MIKE BAIRD: Greg, it has everything to do with the fact that he is the best person for the job. It was endorsed by Cabinet and he is actually delivering for the people of New South Wales. At the next rates determination stage they have come out and said they expect it to be limited to CPI increases.

The Hon. GREG DONNELLY: So there is no explanation.

Mr MIKE BAIRD: The expectation is that—you can try and smear or whatever you like—

The Hon. GREG DONNELLY: I cannot get an answer.

Mr MIKE BAIRD: —but we have a management team that is delivering for the people of New South Wales.

The Hon. GREG DONNELLY: We are trying to give you an opportunity to come clean on this.

The Hon. WALT SECORD: Treasurer, who set the remuneration levels for the board and the chair? Who set the levels?

Mr MIKE BAIRD: That is a matter for government.

The Hon. GREG DONNELLY: It is a straightforward question, you are the shareholding Minister.

The Hon. WALT SECORD: Under the State Owned Corporations Act you are the shareholding Minister. Did you set it—yes or no? It is just yes or no. Did you set Roger Massy-Greene's pay level—yes or no?

The Hon. GREG DONNELLY: I remind you of section 6 of the State Owned Corporations Act. Would you like to have a look at it?

CHAIR: Let the Treasurer answer.

The Hon. WALT SECORD: We are waiting for his answer. We will sit here quietly.

Mr MIKE BAIRD: The issue in relation to remuneration is very simple: We have cut the chief executive officer and the board's packages—the total cost to the State—by \$1.5 million a year. What else do you need to know? It is \$1.5 million a year less. What else do you need to know?

The Hon. WALT SECORD: So an 87 per cent increase for Mr Massy-Greene for his appointment is a decrease?

Mr MIKE BAIRD: It is a three into one, Walt.

The Hon. GREG DONNELLY: What is the case with the directors?

The Hon. WALT SECORD: You have increased all their salaries. What other appointments of significant donors to the Liberal Party and The Nationals have you made since you became Treasurer?

Mr MIKE BAIRD: As fascinating as it is, we are half an hour in and you are yet to talk about the budget—which doesn't surprise me.

The Hon. GREG DONNELLY: We would like to get to the budget.

Mr MIKE BAIRD: I have to say it does not surprise me that you are not going to talk about the budget. Why would you want to talk about the budget? One, you do not understand it; and, two, you are embarrassed about it.

The Hon. WALT SECORD: You do not want to talk about your mates; I understand that.

Mr MIKE BAIRD: You would know all about mates, wouldn't you? You are kidding, Walt. You question me despite what is happening in Castlereagh Street.

The Hon. GREG DONNELLY: Why not just acknowledge—

Mr MIKE BAIRD: The people of New South Wales will see right through you.

The Hon. WALT SECORD: Why not just admit it?

Mr MIKE BAIRD: We have outstanding people delivering results for the State—

The Hon. GREG DONNELLY: They have to donate to the Liberal Party.

CHAIR: Order! Let the Treasurer finish.

Mr MIKE BAIRD: —and at the same time, while we are here, there are episodes unfolding in Castlereagh Street that everyone in this State will be ashamed of for generations to come.

The Hon. GREG DONNELLY: So you have to be a mate to get—

Mr MIKE BAIRD: Do not lecture me.

The Hon. GREG DONNELLY: He got triple the increase that the directors got and he just happens to have donated \$20,000 to you.

Mr MIKE BAIRD: He has donated to the Liberal Party and he has donated to the Labor Party. I do not know how many times I have to go through this.

The Hon. WALT SECORD: His own words were that it was from his family trust. Since the revelations of Massy-Greene, have you or your department conducted a review of whether you are following the proper and appropriate procedures for appointments? Perhaps Mr Gaetjens can answer that question.

Mr MIKE BAIRD: Our process is very simple, Walt.

The Hon. WALT SECORD: You do not have a process; you just appoint your mates.

Mr MIKE BAIRD: We do not. We appoint on merit and on the basis of Cabinet approval. Why do you not talk about Michael Williamson?

The Hon. GREG DONNELLY: And an independent panel?

Mr MIKE BAIRD: How was he appointed?

The Hon. WALT SECORD: We ask the questions.

Mr MIKE BAIRD: I understand that you ask the questions, but you are not going to answer that one. You would have been up to your eyeballs in that one, Walt.

The Hon. GREG DONNELLY: The independent panel that you were at great pains to talk about last year in article after article in the financial press—

Mr MIKE BAIRD: Good try, mate.

The Hon. GREG DONNELLY: Is the independent panel being utilised for these appointments?

Mr MIKE BAIRD: Good try. We have run through that time and again. We have said that we appoint on the basis of merit and full Cabinet approval. That is set.

The Hon. GREG DONNELLY: So you have set the independent panel idea aside and now it is jobs for the boys. Is that really what is going on?

Mr MIKE BAIRD: No, it is not. If you want to question the curriculum vitae of any of those people that you want to smear—

The Hon. GREG DONNELLY: These are your words.

Mr MIKE BAIRD: —then go out and do it.

The Hon. GREG DONNELLY: These are your words.

Mr MIKE BAIRD: See you, mate. That was lovely; I enjoyed that.

The Hon. WALT SECORD: Will you disclose all the pertinent issues? Will you disclose all of your donations?

Mr MIKE BAIRD: See you in 20 minutes.

CHAIR: The time for questions from the Labor Party has concluded.

Dr JOHN KAYE: Can we briefly touch on the budget?

Mr MIKE BAIRD: Imagine that!

Dr JOHN KAYE: I do not think it is all good news for you.

CHAIR: It is the reason the Committee resolved to recall the Treasurer. I would like Opposition members to remember that.

The Hon. WALT SECORD: We do.

Dr JOHN KAYE: The Auditor-General's report identified \$1 billion in errors in the 2011-12 budget. There was \$1 billion in errors in the forecast released on 12 June 2012—just before the end of the financial year—as against the actual as revealed on 22 October 2012. That \$1 billion worth of errors took the budget from a deficit of about \$400 million to a surplus of about \$680 million. You have argued publicly that the \$1 billion in errors was largely about changes in the way that the Commonwealth Government paid its money. You said that it was doing some trickery with its own accounting and paying you later or earlier in order to—

Mr MIKE BAIRD: That is the underlying issue.

Dr JOHN KAYE: I have heard you say that and I am fascinated. To get that clear, are you saying that the underlying issue was a revenue problem?

Mr MIKE BAIRD: No, the underlying budget position, when you take out the money that was pushed forward by Canberra during the year, brings us back to a deficit position. The \$1 billion that you are articulating involves a range of measures, which the Auditor-General details in his report. But there is a distinction. The forecasting is on the \$1 billion, which I have argued needs to be improved. I might get the secretary to talk about how that compares with other States, which is interesting. The overall report shows it is forecasting—it is not errors. The 37 errors are distinct.

Dr JOHN KAYE: No, I disagree. Page 13 of the Auditor-General's report has a handy little table showing where the errors occurred between 12 June and 31 October this year.

Mr MIKE BAIRD: Yes.

Dr JOHN KAYE: The revenue error was \$147 million in favour of the State.

Mr MIKE BAIRD: That is additional Commonwealth.

Dr JOHN KAYE: That is out of \$1.014 billion. That is only 14 per cent of the \$1-billion adjustment. There is the \$433 million in employee expenses, \$39 million in superannuation and \$82 million in depreciation.

The big ticket items—which are much bigger than the Commonwealth's change—were the errors, or the reduction in costs, that happened internally. I am challenging you on your argument that this was about the Commonwealth playing, to use the vernacular, funny buggers with its accounting to put its budget into surplus. That might account for the \$147 million, but that is only 14 per cent or 15 per cent of the total error. The overwhelming part of the error comes from expenditure.

Mr MIKE BAIRD: No. There are two parts to this. Within the 37 errors that you are talking about there is a range of reasons, which I articulated in my answer to the chairman, in some of the details. Then there is the forecasting. The budget forecast for the year end results did have a variance. As you have articulated, there is a range of those that are impacted here. The expense issues that you have seen are actually part of some of the reforms that we have taken on—police death and disability, the workers compensation scheme—

Dr JOHN KAYE: I understand that.

Mr MIKE BAIRD: —and the non-spending by agencies at the end, which had been expected because that had been a trend. Some expense control has now come in, so that is now not happening. My argument was that the final State result was pushed into surplus on the back of the total money that was pushed forward by Wayne Swan as part of his shuffling.

Dr JOHN KAYE: But \$147 million—

Mr MIKE BAIRD: Part of that money came before June.

Dr JOHN KAYE: That \$147 million—

Mr MIKE BAIRD: No, close to \$800 million was received during the year. That is the point. Do not take my word for it; take the word of Tony Harris, who confirmed that it was not a sustainable surplus. We were actually pushed into surplus on the back of Wayne Swan's management of the Federal budget. He has set about making his 2011-12 deficit worse to produce a surplus in 2012-13. That is consistent across all the States.

Dr JOHN KAYE: I understand what you are saying, but as at 12 June 2012 there was a predicted budget deficit of about \$300 million. Then these errors or changes were discovered, which happened after 12 June 2012, that pushed the budget into surplus to the tune of \$680 million. That is a big surplus by New South Wales standards. I do not understand your argument. You are saying that this is all about Commonwealth money and so on. The reality is that in that change between a \$337-million deficit and a \$680-million surplus of the \$1 billion only \$147 million was Commonwealth grants or the Commonwealth component of revenue. The rest was either unexpected revenue or changes to expenses that occurred after 12 June.

Mr MIKE BAIRD: Yes.

Dr JOHN KAYE: That is, in the last 18 days of the financial year.

Mr MIKE BAIRD: Close to \$800 million was pushed forward by Wayne Swan. The final payment—the \$147 million—came in that window. But the previous payment came before that.

Dr JOHN KAYE: Sure.

Mr MIKE BAIRD: The argument is—

Dr JOHN KAYE: Your argument is that—

Mr MIKE BAIRD: The underlying position has not changed. I wish it had; I wish we were in a much stronger position.

Dr JOHN KAYE: Let me ask you about the underlying position. The Auditor-General has identified 37 errors.

Mr MIKE BAIRD: Yes.

Dr JOHN KAYE: Two were bigger than \$1 billion. Despite the noise in the budget figures that you, Standard and Poor's and all the other rating agencies are relying on, you would have to say that the three sigma is about \$3 billion.

Mr MIKE BAIRD: No, John, that is not right. They are balance sheet issues. The two \$1-billion issues are the valuation of Snowy Hydro and the State Archives records. The question is: What is the methodology and valuation of that and how does that go onto the balance sheet? That does not impact the result. This is part of the confusion.

Dr JOHN KAYE: I accept that, but—

Mr MIKE BAIRD: That is the confusion.

Dr JOHN KAYE: What about the nine errors between \$100 million and \$1 billion?

Mr MIKE BAIRD: They are various.

Dr JOHN KAYE: That is still a total of about \$1 billion or more.

Mr MIKE BAIRD: As I said, the Auditor-General has signed off on the accounts. He has gone through them and we are asking the directors general to come back by the end of this month in relation to their responses to these statements and report on what action they have taken to minimise it going forward. That is the important part of it.

Dr JOHN KAYE: What do you say to a school learning support officer who has just lost her job on the basis that our budget was in a terrible state and everything was bad and as a result we had to cut back on expenditure but then the Auditor-General said, "Sorry, there were 19 errors between \$20 million and \$50 million, 17 between \$50 million and \$100 million, and nine between \$100 million and \$1 billion? I will leave out the other two because you say they are asset valuations and I believe you. You say that you had to cut the budget because you were worried about the underlying position, but you did not really know what it was. When you cut her job you did not really know the actual budget position.

Mr MIKE BAIRD: John, we do. I will get the Treasury Secretary to talk about the variances that happen across the other State governments to give you a sense. I have admitted that forecasting needs to be improved and we have taken actions to do that and we will continue to do that.

Dr JOHN KAYE: But you are cutting out jobs on the basis of something that you have just admitted is not accurate?

Mr MIKE BAIRD: No, no, but let me respond, John. The underlying position of the budget is incredibly challenging. If you look at the forecasts we have, looking at the net debt position, by 2014 that is expected to get up to about \$55 billion.

Dr JOHN KAYE: Is that including superannuation?

Mr MIKE BAIRD: No, that is not including superannuation, so there is unfunded superannuation that goes on top of that. Infrastructure NSW has put out a report that suggests that the backlog of infrastructure required over the next 10 years is over \$30 billion. So you have got net debt of \$55 billion and you have got infrastructure of \$30 billion, and we are operating at best at a break-even level. There is no capacity because if you do not generate any form of surplus then you have to borrow. But we are right on the limits in relation to the triple-A rating on what we can do to borrow.

We are not making up the financial challenges in any way. You look at the rating agencies and I notice today that the rating agencies have put Queensland on watch for a potential further downgrade. We are in a position where we now have a negative outlook. There are two things that the rating agencies talk about—they talk about the reduction and pressure on revenue and they talk about pressures on the infrastructure backlog we have been left with. All that puts us in a position where we are a long way, John, from having anything like a sustainable surplus.

Dr JOHN KAYE: I understand what you are saying but I come back to my example of the school learning support officer who lost her job. You are telling her, "The long-term outlook looks really dire because we have these projections, these forecasts, that are really looking gruesome", yet at the same time that is happening the Auditor-General is telling her, "But look, they really don't know where they are even now, let alone where they will be in five years time when this net debt catastrophe is about to hit."

Mr MIKE BAIRD: It is a challenge, John. You cannot just manage—

Dr JOHN KAYE: It is no good saying it is a challenge; that she has lost her job on the basis of figures that are fuzzy.

CHAIR: It is the end of your questioning.

Mr MIKE BAIRD: I will just finish, Chair. We have had to make a number of tough decisions, decisions that are not easy, that are not popular and that have an impact. I have said publicly on many occasions that I find them difficult to make. I am not trying to dismiss the angst or the impact on the individual that you are talking about, but I have to balance the overall position with the long-term good of the State and that is what we are trying to do. We are trying to take the decisions for the long-term benefit. We are a long way from a sustainable surplus, from having a capacity to absorb the infrastructure, the repayment of debt and the economic shocks. We are a long way from that.

CHAIR: Treasurer, there have been reports following these errors that you have now asked the Auditor-General to help in the preparation of the next budget. Is that correct, and in what way would the Auditor-General assist you?

Mr MIKE BAIRD: What we have done is we have asked for some additional assurances. It goes back to Dr Kaye's question in relation to the forecasts and how can we provide some additional rigour, some additional oversight, in relation to the projections and forecasts. That is what we have pursued. The Auditor-General will play a role in that. It is a process that is used in Victoria so they become involved in it, as any auditor would, and they oversee its preparation and the assumptions underpinning it. We think that just adds additional protection and assurances in relation to the forecasts.

CHAIR: Do you have any concern that this might compromise the role of the Auditor-General, his own role, as being totally independent of government?

Mr MIKE BAIRD: No, not in any way.

CHAIR: In that with investigations he will be investigating himself?

Mr MIKE BAIRD: No, as I said, Chair, it is a process that is used in Victoria.

CHAIR: That may not make it right.

Mr MIKE BAIRD: It is an Auditor-General's oversight, which any auditor would be asked to do. The Auditor-General has been asked to oversight the reasonableness of the preparation of the forecasts and we think that is a good thing for the State.

CHAIR: Because of those errors what have you done to try to improve the quality of the accounting within each of those government departments? I assume that some of the errors were a result of accounting errors in those departments?

Mr MIKE BAIRD: Yes.

CHAIR: Which you then add together?

Mr MIKE BAIRD: Yes.

CHAIR: That is why you get these large figures?

Mr MIKE BAIRD: Yes.

CHAIR: But they are all smaller amounts from different departments?

Mr MIKE BAIRD: Yes, and that is why, Chair, we asked every agency to play a role in this. It was part of the recommendations as part of the Schott report. The Schott report spoke about the lack of skills, expertise and experience across government in the agencies and that is why we have started recruiting for the right people. That is why we asked them to respond in detail on the action plan to minimise the errors going forward. It is something that needs to be done.

CHAIR: Have you brought in any extra people? You referred to getting qualified people but obviously there are a lot there already. Are there any additional training programs or assessment programs for employees in each of the departments who are responsible for accounting?

Mr MIKE BAIRD: Yes. The secretary might answer that question. He has taken some initiative in overseeing some of the chief financial officers. At the same time we are recruiting. There are new people coming in with additional skills that obviously will help. Kerry Schott's words were pretty explicit about this—that there needed to be an improvement in the skills and the processes. We have done both, Chair. We identified the problem and we invested money in the system. It will take time to roll out a new financial system across government. It will take time to bring the skills required across every agency of government, but we are determined to do it. We will fix it. I note that Opposition members are persistent in that they want us to fix it, but at the same time they are against us bringing in people.

The Hon. WALT SECORD: We are against you sacking people.

Mr MIKE BAIRD: The shadow Treasurer was against me appointing someone, recruiting someone with the skills to oversee the entire budget and transform the financial information system.

The Hon. GREG DONNELLY: Was he a donor to the Liberal Party?

Mr MIKE BAIRD: It was viewed as “an obscene waste of money”.

CHAIR: With some of those errors created by various individuals, have those individuals been appointments of the previous Government, without naming anyone? I know you cannot have a changeover of the whole public service.

Mr MIKE BAIRD: I do not view this as a witch-hunt; I view it as something that we have inherited, that is, a mess. We inherited it, it needs to be fixed and we are determined to do it. Whether we need new people or new systems, we will get them but we will continue to work with what we have at the moment, which is a system that needs to be improved. We will do what we can to do that.

CHAIR: But that is a system of the previous Labor Government?

Mr MIKE BAIRD: It certainly is.

CHAIR: I note too it has been reported that the Auditor-General is going to create a new robust methodology to minimise future errors. What will that involve?

Mr MIKE BAIRD: Ultimately the question is: How do you improve it? That is why we are waiting for a response from all the agencies at the end of the month. We then need to roll it out and ensure that we are doing exactly that—minimising them. The Auditor-General has overseen this for 10 years, Chair. He has said for 10 years that they need to be fixed and that they need to be improved, so we are taking action and we are looking at his recommendations as part of that to ensure that we do it.

CHAIR: We move on to Mr Secord.

The Hon. MATTHEW MASON-COX: A budget question.

The Hon. WALT SECORD: Yes it is.

The Hon. GREG DONNELLY: They are all budget questions.

The Hon. WALT SECORD: Treasurer, have you had any discussions with the Premier about the 37 errors?

Mr MIKE BAIRD: We have discussed a lot of things, Walt but I do not think I will go into what I discussed with the Premier.

The Hon. WALT SECORD: He must have been pretty angry at you about the errors?

Mr MIKE BAIRD: I think he was angry at you, Walt. I think he was angry at what you left behind.

The Hon. WALT SECORD: I did not make the 37 errors.

Mr MIKE BAIRD: You know what the problem is with you, Walt.

The Hon. WALT SECORD: Here we go again.

Mr MIKE BAIRD: No, you know what the problem is with you. You are angry that we are not cleaning up your mess quickly enough.

The Hon. MATTHEW MASON-COX: That is it.

Mr MIKE BAIRD: That is what you are angry about.

The Hon. WALT SECORD: Are you finished, Treasurer?

Mr MIKE BAIRD: We are doing all we can. But I will tell you that you left a rotten, stinking mess and it will take a long time to fix it. Let me tell you what the difference is between you and us. We will fix it. That is what we are going to do.

The Hon. GREG DONNELLY: You have had a lot of coaching since the last hearing.

CHAIR: We will have one questioner from the Opposition.

The Hon. WALT SECORD: You have obviously had a bit of media training in the past few months. Since your last appearance you have had a bit of training.

Mr MIKE BAIRD: You know what, Walt, I find that offensive. I find your patronising offensive because what you did in government is a disgrace.

The Hon. WALT SECORD: Are you going to answer my question?

Mr MIKE BAIRD: If you are going to patronise me with that sort of rubbish you can just go and take a flying leap.

The Hon. WALT SECORD: So the answer is you have obviously had extensive media training in preparation for these estimates?

Mr MIKE BAIRD: The answer is: No, I haven't. What I have done is I have taken every day, since I came to government, fixing up your rotten mess. I tell you what: I am determined to make New South Wales a much better place than you left behind. Do you want to know why we are doing that? We are taking decisions that are not easy. They are the right things to do for the State. And I tell you what: when I hand across—whenever that may be—the finances of the State they are going to be in a better state than they were when I inherited them, I can assure you.

The Hon. WALT SECORD: I think it is 2015. Your heart is not in this job.

Mr MIKE BAIRD: Really? Is that what you think?

The Hon. WALT SECORD: Yes.

Mr MIKE BAIRD: I am going to be here a lot longer than that, Walt.

The Hon. GREG DONNELLY: That would be our pleasure. In your opening comment to a question from Reverend the Hon. Fred Nile in general terms you spoke about the 37 errors and listed some of them. Do you or the Secretary of the Treasury have a list of the 37 errors which are reported in the Auditor-General's report? What are the 37 errors?

Mr MIKE BAIRD: We are waiting for each of the agencies and the directors general to respond. So they are running through, across every detail, having discussions with the Auditor-General. They will provide them in a month. I am happy to take it on notice once the responses are in.

The Hon. GREG DONNELLY: Secretary of the Treasury, do you have a list of the 37 errors that have been identified by the Auditor-General? Surely the report is in the public domain. The 37 figure is out there in the public domain. There has got to be a list of the 37 notwithstanding, Treasurer. I say this respectfully. We are asking: What are the 37 itemised issues raised by the Auditor-General in his report? It is a fair question.

Mr MIKE BAIRD: It is a fair question. I said I am happy to take it on notice. The directors general are responding and, ultimately, it is up to the directors general and the Ministers to respond. I am happy to take it on notice. Once we get the reports we can respond.

The Hon. GREG DONNELLY: So you have come to this budget estimates supplementary hearing, with this having been on the deck for a few weeks, and you don't actually have a list of the 37 errors identified by the Auditor-General?

Mr MIKE BAIRD: What I said is we are not going on a witch hunt. We are systematically going through error by error, agency by agency, department by department. They are responding to those identified. Bear in mind, the Auditor-General has signed off on the accounts. So the accounts are signed off, except for the qualifications, and the qualifications we are working on. We will respond.

The Hon. GREG DONNELLY: You have come here unprepared.

Mr MIKE BAIRD: Walt just said I was prepared; now you are saying I am unprepared.

The Hon. GREG DONNELLY: On this issue.

The Hon. WALT SECORD: You said 37 errors. You made reference to Snowy Hydro, Reliance Rail, Lotteries, State Archives. What were the two \$1 billion errors? You must know.

Mr MIKE BAIRD: I just told you. There was the Snowy Hydro valuation and the State Archives.

The Hon. WALT SECORD: There is a \$1 billion error at State Archives, managing the State records. Does that ring an alarm bell?

Mr MIKE BAIRD: Listen, mate, why don't you tell me this? This Auditor-General report came out in 2010. The Auditor-General said you need to take action. There are decades of problems. There are all types of things.

The Hon. WALT SECORD: There were never 37 errors.

Mr MIKE BAIRD: I think you got to 32, mate, but there was \$4.3 billion identified in the Roads and Traffic Authority. There was \$1 billion also in the Roads and Traffic Authority and there was \$180—

The Hon. WALT SECORD: You are not answering the question.

Mr MIKE BAIRD: You were chief of staff of the Premier. What did you do?

The Hon. WALT SECORD: I am asking the question.

Mr MIKE BAIRD: You are feigning all this rage and anger, what did you do?

The Hon. GREG DONNELLY: You have come to budget estimates without the list of 37 errors?

The Hon. MATTHEW MASON-COX: Point of order—

CHAIR: The Treasurer has taken the question about the 37 errors on notice.

The Hon. MATTHEW MASON-COX: The Treasurer is trying to respond to the questions being asked by the Opposition. He should be given the opportunity. Opposition members should stop interrupting the Treasurer when he is giving his answer.

The Hon. GREG DONNELLY: How lame is it that the Treasurer has come to supplementary hearings and does not have the 37 errors identified in the report.

The Hon. MATTHEW MASON-COX: Ask your question. Stop making assertions.

The Hon. GREG DONNELLY: That is pretty lame.

CHAIR: The Treasurer said he would take that question on notice.

Mr MIKE BAIRD: You will have the response, Greg. So try to relax.

The Hon. WALT SECORD: Mr Secretary, through the Minister—

The Hon. MATTHEW MASON-COX: It is a bit rich having the Eddie Obeid faction lecturing the Treasurer on standards.

The Hon. WALT SECORD: Mr Secretary, through Mr Baird, do you know the 37 errors? Yes or no? It is a simple question.

Mr MIKE BAIRD: We have answered it.

The Hon. WALT SECORD: So you are not going to let the bureaucrat answer the question?

Mr MIKE BAIRD: We are waiting for responses from the directors general. I will take that on notice and give the information. It is not going to be hidden away. The Auditor-General brings out a report early next year, in March.

The Hon. MATTHEW MASON-COX: Mate, you have made 37 errors since we started this hearing. Why don't we get on with it?

Mr MIKE BAIRD: We are fixing up your mess. Every single file you open you don't know what it is going to be, but it is going to be a mess if it has your fingerprints on it.

The Hon. GREG DONNELLY: The dog ate the homework. I move on to the deficit versus the surplus. In last year's budget, Treasurer, in your budget speech in the Legislative Assembly, you indicated that there would be a deficit, in your estimation, of \$718 million. If we then look at the monthly statements which are published on the Treasury website, bearing in mind your first budget was in September 2011, if we start at July 2011, August, September—6 September was when you handed down your budget—October, November, December, January, February, March, April, May and June you were in surplus each month. Treasurer, obviously you receive those monthly statements before they are published, and I presume the Secretary to the Treasury does as well. No doubt you sit down and talk about what is in those statements and the components and what they reflect. At what stage, Treasurer, did you start to actually think in serious terms that the forecast budget deficit of \$718 million may, in fact, be an error, a mistake or a wrong calculation? You had shown every month that you were in surplus. At what stage did you think that the numbers may not be adding up?

Mr MIKE BAIRD: Greg, you need to understand what I said previously. When we put the budget number out that was the expectation of the result.

The Hon. GREG DONNELLY: The \$718 million?

Mr MIKE BAIRD: No, the expectation of the budget this year was that that number would be in deficit—

The Hon. GREG DONNELLY: No, I am talking about last year?

Mr MIKE BAIRD: I understand. Last year was in deficit too, remember?

The Hon. GREG DONNELLY: We are talking about the \$718 million surplus. I am trying to get some continuity here.

Mr MIKE BAIRD: When it was first announced, \$718 million.

The Hon. CATHERINE CUSACK: This is the current year.

The Hon. GREG DONNELLY: I am coming to the current year, Catherine. I am saying that over that first budget of yours there were surpluses in every month and you had forecast a \$718 million deficit, and each month the statements would come to you. You would sit down with the Secretary of Treasury, positive numbers, positive numbers, positive numbers. At what point, surely, did you start to wonder whether this \$718 million deficit was the forecast that may not be quite right? At what stage did you think that that figure may not be right?

The Hon. CATHERINE CUSACK: That is a killer question, Greg.

Mr MIKE BAIRD: It is unbelievable, Greg. At the half yearly review there was an adjustment where the deficit was reduced. When we announced the budget the forecast was a deficit but I will let the Treasury Secretary explain to you that the variances at year end—let us be clear, they need to be improved. There are adjustments. There were things that came in after the budget, including the workers compensation legislation that has had an impact, and the post-end budgets which I have gone through. But the Secretary can give you a sense on how this compares, the variances, for that year end to other jurisdictions.

The Hon. GREG DONNELLY: I want to link it to the current budget, so there is continuity there.

Mr GAETJENS: Through you, Chair, we had a look at some of the other States in terms of the variances between the last budget which also has an updated estimate for 2011-12 compared with the final budget outcome. In New South Wales we actually had a 1 per cent variation in revenue, and a three-quarter per cent variation in expenses. Expenses were better or under, revenue was actually a little bit higher. In Victoria there was a 2.1 per cent variation in revenue and a 1.2 per cent variation in expenses. In Western Australia there was a 1.9 per cent variation in revenue and a 1.3 per cent variation in expenses. In the Commonwealth there was half a per cent variation in revenues and a 1.1 per cent variation in expenses. So that is between the latest estimate of the previous year compared to the final budget outcome. In every State revenues came in over budget. New South Wales was the only State in which expenses came in under budget.

Because we had the variations going different ways in revenues and expenses, the overall outcome was bigger than in other jurisdictions. So our variation of 1 per cent in revenues and three-quarters of a per cent in expenses was certainly not out of the ballpark with respect to variations in other States. As the Treasurer said, it would be very nice to get things better. At the moment we are in a very volatile environment; before the last budget and this budget and the half-year review we saw GST revenues come down. So we are, I think, at turning points or at points of volatility and it is difficult to pick these things. Being 1 per cent, given that the outcome for 2011-12 is basically calculated from end of April numbers in a particular year, it is not as if we come out with these things right at the very end.

The Hon. GREG DONNELLY: It is \$1.4 billion. In April this year the monthly statement indicated there was a \$1.4 billion surplus. What I am saying is you forecast a \$718 million deficit in your budget in September last year.

Mr GAETJENS: In June 2011.

The Hon. GREG DONNELLY: Do you not think it would have been appropriate to come clean and to let people know that things were a lot different and a lot better than you had been saying in the media month after month that we are going down the gurgler in New South Wales?

Mr MIKE BAIRD: Can I just remind you of your last full budget—2009?

The Hon. GREG DONNELLY: Here we go: You are not going to ask the question.

Mr MIKE BAIRD: I will answer this because it is an important point. You predicted, when you first brought that budget down—and Walt was there in some way, shape or form at the top—that it was \$2 billion and that it was funded. From the moment that you launched it to the final State accounts there was about a \$2 billion variance. In the last period—from the budget to the final accounts—it was close to \$900 million, so a very similar variance.

The Hon. GREG DONNELLY: Similar—\$718 million through to \$1.4 billion?

Mr MIKE BAIRD: We are talking about the year-end variance. There is all this confected rage when under your last budget there was the same variance. The only difference—

The Hon. GREG DONNELLY: You are the Treasurer. This is your mistake, not mine.

Mr MIKE BAIRD: The only difference is we are taking action to improve it. As the secretary just said, the variance at year end is a regular feature of every budget. Sure, we need to improve it, but it is a regular feature of every budget across the country. We have all this confected rage but when you go back to 2008 you had former Premier Nathan Rees—

The Hon. GREG DONNELLY: You have not provided an explanation.

Mr MIKE BAIRD: It was a \$268 million surplus. Then back in September 2008—just a couple of months later—there was going to be a \$1 billion deficit. At the time the former Premier said that he did not have the time or the inclination to discuss it. I have to say in relation to budget matters that that probably was not his strength. But I pay him credit because he was the only one on your team, that only one on that side, who had the guts to stand up about what was going on. I take off my political badge and pay tribute to him because he stood up against the culture that was going on there. Yet what did you guys do to him? What did you guys do to Nathan Rees for standing up to what was going on and for what we have seen down in Castlereagh Street? You got rid of him.

CHAIR: Can we move on to another question from either of you gentlemen?

The Hon. WALT SECORD: Treasurer, in light of the 37 errors in the surplus, has the education Minister sought a meeting asking you to reverse the \$1.7 billion cuts to education?

Mr MIKE BAIRD: Everyone around the Cabinet table understands the true financial position; I just articulated it. If you are going to a net debt position of \$55 billion, if you have an infrastructure backlog of \$31 billion, are you proposing ever to pay back debt?

The Hon. GREG DONNELLY: I think we can take that as a no, Walt.

Mr MIKE BAIRD: How are you going to build the infrastructure? Just tell me. It is magic pudding stuff. If you think that we have no problems with the finances of this State and we can continue to spend—which is what you did—we know where the State would end up under you: it would end up in the mess that we are in now, and we are fixing it up.

The Hon. WALT SECORD: Treasurer, I put it to you that you are undertaking massive cuts to education and health by creating the fiction of a deficit.

Mr MIKE BAIRD: That is rubbish.

The Hon. WALT SECORD: I put it to you that this is—

Mr MIKE BAIRD: I am putting back to you that it is rubbish. What is next?

The Hon. GREG DONNELLY: Even though all these surpluses—

Mr MIKE BAIRD: I put it back to you that it is rubbish, so do not even try.

The Hon. GREG DONNELLY: It is as simple as that, is it?

The Hon. WALT SECORD: If you are not going to tell us the details of the 37 errors can you at least tell us the departments they were in?

Mr MIKE BAIRD: We are going to share this information.

The Hon. WALT SECORD: Why are you covering this up?

Mr MIKE BAIRD: We are not covering anything up.

The Hon. WALT SECORD: Yes, you are.

Mr MIKE BAIRD: We are waiting for each department—

The Hon. WALT SECORD: You will not let your secretary answer. He has the information at his fingertips and you are blocking—

The Hon. GREG DONNELLY: They are in his file.

The Hon. WALT SECORD: He is holding them; he is looking at them. Why will you not let him speak?

Mr MIKE BAIRD: We are not hiding anything. We are enabling the departments to respond—

The Hon. GREG DONNELLY: You are trying to cover the bureaucrats; that is what you are doing.

Mr MIKE BAIRD: No, I am not. I am not on a witch hunt; I am about fixing the problems. If you want to criticise me for not doing it tough and fixing the problems go ahead. But what I am doing, I have let every department have a chance to respond in relation to those issues and they are responding.

The Hon. WALT SECORD: So you know the departments.

Mr MIKE BAIRD: I have taken that question on notice. We asked them before we knew we were coming back to estimates to respond and they are coming back at the end of this month. So at the end of the month they will report and we will take the question on notice. So you will have the information; do not panic.

The Hon. WALT SECORD: Do I have to put in a freedom of information request and pay \$30 to get this?

Mr MIKE BAIRD: Did I not just say that we are going to give you the information?

The Hon. WALT SECORD: Do I have to put in a freedom of information request to get these 37 errors?

Mr MIKE BAIRD: You are going to get it 21 days after estimates.

CHAIR: The Treasurer will take on notice the question relating to 37 errors.

The Hon. GREG DONNELLY: Even though we put you on notice that this would be a key issue ventilated at this supplementary hearing—a key issue out of all the things that we could be asking—your best response basically is, "Oh well, you will get it in the fullness of time."

The Hon. WALT SECORD: For the first two minutes of this hearing you sat there baiting us and saying, "I will answer these questions." Now we are asking and you will not tell us the 37 errors; you will not tell us the departments. Your secretary has the information on the desk next to you and you will not give it to us.

Mr MIKE BAIRD: Walt, I have just said we will.

The Hon. WALT SECORD: During the Christmas recess?

Mr MIKE BAIRD: You can use it whenever you like, Walt. We have asked—

The Hon. WALT SECORD: It is here today at this Committee, on the desk.

Mr MIKE BAIRD: We are waiting for the response from the agencies and the directors general. If you do not like it, lump it.

The Hon. WALT SECORD: Did you say if I do not like it, lump it?

Mr MIKE BAIRD: Yes.

The Hon. WALT SECORD: That is not the language of a Treasurer.

Mr MIKE BAIRD: I have heard a few others.

Dr JOHN KAYE: Did you not know Michael Costa? Have you never met Michael Costa?

The Hon. GREG DONNELLY: Can I ask you about the Auditor-General's oversight that has been announced? You said on 6 November that the Auditor-General is going to be involved to "help prepare New South Wales' half-yearly review and the 2013-14 budget". Can you explain what you mean by "prepare"?

Mr MIKE BAIRD: We said he is going to oversee the reasonableness of forecasting estimates provided for the half year. There is this thing in accounting called limited assurance. That is what he will be doing—providing limited assurance.

The Hon. GREG DONNELLY: But not preparing?

Mr MIKE BAIRD: He will be providing limited assurance.

The Hon. WALT SECORD: The secretary would like to answer.

Mr GAETJENS: The Auditor-General is going to be doing the work in accordance with auditing standards, and that goes to limited assurance work for reviews, and he is doing that work in accordance with the Act and the section in which he was appointed to do that particular piece of work, as well as paying full regard to his independence and making sure that his work is being done under the auditing standards.

Dr JOHN KAYE: Treasurer, can you remind the Committee what was the annual cost to budget of the changes to the poker machine tax?

Mr MIKE BAIRD: The annual cost?

Dr JOHN KAYE: Some \$300 million, was it not?

Mr MIKE BAIRD: It was just under.

Dr JOHN KAYE: Let us call it \$300 million. What was the annual cost to budget of the changes to the payroll tax that only went through large corporations?

Mr MIKE BAIRD: Well, the Jobs Action Plan.

Dr JOHN KAYE: You call it that. I call it a cut in payroll tax and a gift to big corporations, but that is badging. What was the cost of that?

Mr MIKE BAIRD: There is modelling that goes underneath it. I think it was about \$70 million or \$80 million a year.

Dr JOHN KAYE: There is \$370 million or \$380 million a year in cuts that you delivered based on media releases during the last election campaign?

Mr MIKE BAIRD: Yes.

Dr JOHN KAYE: So you are telling the public sector workers in New South Wales, you are telling teachers, you are telling school learning support officers, that their budgets will be cut \$1.7 billion, that \$500 million a year has to come out of their budgets, yet at the same time you are handing over \$380 million in revenue to large corporations and to ClubsNSW. Do you find that tricky?

Mr MIKE BAIRD: No, John. I will get the exact numbers in relation to the Jobs Action Plan because it was calibrated in take-up and it has been adjusted so we can get the calibration. But we made a commitment to stimulate employment; we made it a commitment to the Clubs industry—

Dr JOHN KAYE: To stimulate gambling?

Mr MIKE BAIRD: There are 50,000 employees. They do a lot of work in relation to their local communities. There is a significant economic benefit that comes with a club industry that is working hard. So we have made commitments in relation to both of those. We continue to run a mantra that if we have made an election commitment we are going to keep it. I do not think that is something we should shy away from.

Dr JOHN KAYE: But there was no election commitment to cut \$1.7 billion out of the Education budget?

Mr MIKE BAIRD: No.

Dr JOHN KAYE: There was no election commitment to privatise ports and there was no election commitment to privatise the electricity industry.

Mr MIKE BAIRD: Well, with the electricity industry we did make a commitment to ask the experts to tell us what should be the response to another mess that was left behind by those opposite. The important point in relation to both of those, John, is that the actual economic performance of New South Wales in the past 12 months in particular on a relative basis is reasonable. We were for a long time well above the national average in the unemployment rate. For the past seven or eight months we have been below it. Indeed, we have got the second lowest unemployment rate in the country currently. As to economic growth, for the past five years under Labor we basically had the slowest economic growth; we now have the growth only behind the mining States. We have more than 50,000 jobs that have come into the economy since we have been in office. So I think we have taken appropriate action to deliver some of those outcomes.

Dr JOHN KAYE: Treasurer, can I take you somewhere else for a minute? You might have seen a former Citigroup gaming analyst by the name of Jenny Owens talking about the fact that the tax on gambling at the high roller rooms was only 10 per cent of revenue whereas at every other casino or gambling activity around New South Wales it is 27 per cent. Has Treasury done any estimates on what the new Barangaroo casino will bring in at 10 per cent?

Mr MIKE BAIRD: There is no modelling that I am aware of in any way, shape or form. That development has gone to the next stage in the undisclosed—

Dr JOHN KAYE: Unsolicited.

Mr MIKE BAIRD: Sorry, the unsolicited proposals.

Dr JOHN KAYE: Undisclosed is accurate too.

Mr MIKE BAIRD: Unsolicited proposals. That has gone to the second stage—

Dr JOHN KAYE: Yes, I understand that.

Mr MIKE BAIRD: —and it will be assessed on the basis of its merits.

Dr JOHN KAYE: So your department has done no revenue modelling on a second casino?

Mr MIKE BAIRD: Not that I am aware of in any way, shape or form.

Dr JOHN KAYE: So it has not looked at the issue of the 27.5 per cent versus the 10 per cent.

Mr MIKE BAIRD: No, John, but as part of the next stage obviously we will be involved to ensure that whatever proposal is put forward in any way, shape or form that it is assessed to ensure that value to New South Wales taxpayers is delivered. So obviously the modelling and appropriate work needs to be done as part of that.

Dr JOHN KAYE: As a bloke who buys into the idea that markets are the way to test propositions, how do you reconcile your view of how the economy should work with the idea that what is clearly a very high value asset, namely, the second casino licence, is to be given to an individual, to a corporation without any attempt at competition?

Mr MIKE BAIRD: That is part of the process. We have appointed David Murray who brings a range of skills and experiences and who will ensure that there is not only integrity to the process but also that the appropriate market mechanisms, whatever the values may come out as, because there is a whole range of complexities across the proposal—

Dr JOHN KAYE: But no testing in the marketplace? No competition, no open tenders, no bids, nothing.

Mr MIKE BAIRD: Yes.

Dr JOHN KAYE: You are not worried about that, Mike?

Mr MIKE BAIRD: I am very confident in the process that we have. I can assure you that there is a huge amount of rigour that will go into it and it will make sure that the only way in any way, shape or form that it can be considered is if it is delivering value to New South Wales taxpayers.

Dr JOHN KAYE: Delivering value but not necessarily delivering the maximum value that we can get out of that licence?

Mr MIKE BAIRD: Delivering maximum value, absolutely.

Dr JOHN KAYE: How will you know that you are delivering maximum value when you have not tested it in a marketplace or where you have not looked for other people who might deliver another casino that might deliver more value to the New South Wales budget?

Mr MIKE BAIRD: There are a range of measures that you can run through, John. Any market activity around the world, whether it is casinos or any form of business, there are market benchmarks, there is understanding among competitors, there is understanding in the industry and there is understanding on potential levels that people will build for square metreage and the like. There is a whole range of things that can be assessed when determining value but that is one part of it that needs to be considered.

Dr JOHN KAYE: Against our vote the Parliament just gave you the right to sell two ports in New South Wales.

Mr MIKE BAIRD: Yes.

Dr JOHN KAYE: I do not believe you are going to say, "Well, we have got one bidder here but we can test all the others out. That is fine. We have got some magical process that says what they would have bid and we know that this is a good bid." You would not do that for ports so why would you do it for the second casino licence?

Mr MIKE BAIRD: There is a public process that is being run for the ports—you are familiar with that. Unlike those opposite, we brought that back to the Parliament to debate and discuss the merits and the full process.

Dr JOHN KAYE: That is another issue. Do not start on that.

Mr MIKE BAIRD: We are very confident that we will achieve a good outcome.

Dr JOHN KAYE: But you are not going to do it behind closed doors like you are with the casino licence. What is the difference between a casino licence and Port Kembla or Port Botany?

Mr MIKE BAIRD: It is an unsolicited proposal. So there is an idea to bring forward something to the State that involves all you have seen in it and that is being considered.

Dr JOHN KAYE: So if I come forward to you and I say I want to buy the remaining public assets at Port Newcastle—

Mr MIKE BAIRD: I will fall over if you do that.

Dr JOHN KAYE: No, you would not because you would instantly say you would have to test that in the marketplace, would you not? You would have to see whether there were other corporations that could come forward with a better bid?

Mr MIKE BAIRD: Phil can just add something.

Mr GAETJENS: Dr Kaye, with the unsolicited proposals process there are three stages to it. The first is to establish—

Dr JOHN KAYE: Can I interrupt you? I am very well aware of that issue.

Mr GAETJENS: But there are two stages. You seem to assume an outcome but there are two stages that can put this process to market. At the end of stage two and at the end of stage three it can either go forward or it cannot be seen to be compliant with the unsolicited proposal.

Dr JOHN KAYE: I am prepared to put money down that that will not happen.

The Hon. Walt Secord: That is gambling.

Dr JOHN KAYE: There you go. Can I change the topic for a second to the issue of tobacco investments?

Mr MIKE BAIRD: Yes.

Dr JOHN KAYE: After 16 months of me asking you, you finally gave us the data and we found a whopping \$28.7 million of New South Wales taxpayers' money invested across at least two of TCorp's hourglass investment vehicles in tobacco companies. I have questions on notice here but we do not yet know what is in the eight or nine other TCorp investment vehicles. Why do you not just fix this problem? Why do you not just get us out of tobacco? The Australian Capital Territory has done it. There is not a huge cost to the State.

Mr MIKE BAIRD: Well, John, I am pleased to give you an update since you did raise it at the last estimates hearing and as I said the Government was considering it. We have taken a decision going forward to not directly invest in tobacco. So the Government has taken that action. Clearly we did have indirect investments through fund managers and the like but the Government has now taken that a step further. Not only will we not directly invest but we will not indirectly invest.

Dr JOHN KAYE: Let us be clear because you have said two different things. You are going to now withdraw your indirect investments through the TCorp fund managers?

Mr MIKE BAIRD: Correct, yes

Dr JOHN KAYE: So you are pulling out of tobacco?

Mr MIKE BAIRD: Correct.

Dr JOHN KAYE: Congratulations. That is good news.

Mr MIKE BAIRD: Previously the Government had no direct investments but we had indirect. Now not only do we not have direct but we have no indirect items.

Dr JOHN KAYE: Are you currently out of tobacco or have you issued instructions to be out of tobacco?

Mr MIKE BAIRD: We are in the process of immediately commencing instructions to do exactly that.

Dr JOHN KAYE: Have you issued those instructions?

Mr MIKE BAIRD: We have started the process, yes.

Dr JOHN KAYE: On what date will those instructions go to the fund manager, and how long will they have to get out?

Mr MIKE BAIRD: It needs to be done in a balanced way. Obviously it needs to be done in accordance with sensible timing for them, but it is a priority of Government. Our anti-tobacco strategy is very clear, we are moving as quickly as we possibly can, but we have now taken the decision. Not only are we no longer in direct investments; we are also no longer in indirect investments

Dr JOHN KAYE: A rare thing. Congratulations. Well done.

Mr MIKE BAIRD: Thanks, John. Across government

CHAIR: Just following up on the inquiry we have been conducting into the Cronulla Fisheries Centre of Excellence, has the Treasury or any of its departments conducted a valuation of the site?

Mr MIKE BAIRD: Not that I am aware but I can certainly take that question on notice.

CHAIR: Because during our hearing we did ask the Minister twice if she would give a guarantee that there would be no sale of the site and she said, "I cannot give that guarantee." That was a puzzle to the Committee. What is your comment on that?

Mr MIKE BAIRD: There are no plans to sell the site that I am aware of. Certainly I am not aware of any valuations being done but I can certainly get that on notice for you.

CHAIR: Following the inquiry I did into the Hunters Hill High School sell-off, which we were able to stop, there were valuations found. It would seem within the Treasury there are people in back rooms making valuations of all sites, such as the Ultimo Primary School and other locations. There must be some valuations which are there perhaps just to add up the assets of the State?

Mr MIKE BAIRD: Various departments would and the Department of Finance has the asset register but if it is there, I can provide it for you. I have no problem with that.

CHAIR: Will you take that question on notice?

Mr MIKE BAIRD: Yes.

CHAIR: Just following up on the questions asked by Dr John Kaye about the proposed casino, I am curious as to what is a casino. What is the Government's definition of a casino? When is a casino a casino, in other words?

Mr MIKE BAIRD: There is a definition around it but if your question is: Does the Government support pokies as part of that proposal—

CHAIR: That is what I am getting at. If there are no poker machines in the proposed casino, is it still a casino?

Mr MIKE BAIRD: Greater minds than mine can work that out, Chair, but certainly there is a definition of casino. But would the Government consider the proposal if there were poker machines? No, it would not.

CHAIR: I understand that but what do you understand will be the gambling activity that would go on in the proposed casino? If there are no poker machines where does the revenue come from?

Mr MIKE BAIRD: Only along the reports of it being a high net worth rollers room—it is not something I have been to, Chair, but certainly the concept of this is very simple. As the secretary said, we assess the proposal, whatever the benchmarks are, whether it is contestable, whether or not it is something that can go to market, whether the proposal brings maximum value to New South Wales taxpayers—all those things will be considered as part of the next stage. As the secretary said, there is no assurance that it will go to the next stage. We need to assess it in detail.

CHAIR: Any future licence would have to have in it an embargo saying there will be no poker machines even though we are giving you a licence for a casino.

Mr MIKE BAIRD: Again that is a hypothetical question because there is no indication one way or the other whether it is going to proceed or not proceed to the next stage. But certainly the only way the proposal could be supported is if that were part of it, so we agree with you.

CHAIR: Dr John Kaye, and I think others, asked a question about whether other organisations can apply for that casino licence. In other words, are they cut out of the procedure because it is like an in-house arrangement that is proceeding because Crown Resort already had an agreement with Lend Lease over the site? I gather that is what is causing some compromise. It is not a black-and-white situation of a brand new approach; the Crown Resort already has a toehold, so to speak, on the site with that agreement. Do you understand that? Is that creating some of the complications?

Mr MIKE BAIRD: That is one of them, Chair. It is an unusual position. It is a significant investment, a massive investment that potentially is coming into the State. It is a detailed proposal. It needs to be assessed but it needs to be assessed on whether this presents maximum value to New South Wales taxpayers. Is this something that is in their long-term interests? That is the process that we are going down now.

CHAIR: Do you believe it could be a danger if it became an open situation with other individuals? If Malaysian billionaires put in a tender they may want to put the poker machines in as part of their revenue raising or profit making?

Mr MIKE BAIRD: It is a hypothetical, Chair. Again I want to be very clear: Putting poker machines in is not something that would be considered, certainly from our point of view. That has been publicly attested, so that is the position that remains as is. But we are a long way off from determining whether or not it will proceed.

CHAIR: It raises a question in my mind where you have a registered club with 1,500 poker machines as to whether that is a mini casino. What is the difference between that and a casino?

Mr MIKE BAIRD: I would have to look at the definition.

CHAIR: We are making a big fuss over the new licence but we have already licensed 1,000 or more registered clubs with large numbers of poker machines.

Mr MIKE BAIRD: I think the essence of the clubs, Chair, is the incredible work that they do with their local communities. They are deeply connected across sport and community groups in every way, shape and form, so it is for their members and for the community. It is a very different motive than that which sits under a standalone casino operator. That would be my sense. The clubs provide that incredible community support.

CHAIR: Another question in my mind is: If it is not really a casino do you need a casino licence?

Mr MIKE BAIRD: That is the question, Chair. That is what we are assessing. How does this proposal relate, what are the tenets of it, what are the financial metrics around it, is every element essential or not and how does that work to the benefit of New South Wales?

CHAIR: So it could be a completely different arrangement from what you have with the Echo corporation?

Mr MIKE BAIRD: It is by the nature of its submission coming through. The proposal is an unsolicited proposal that has come through in some detail. It obviously needs to be assessed. That is why I think having someone like David Murray appointed is a very positive step. He will ensure the oversight of the process and ensure that any consideration that is put forward to government is done in the long-term interests of the State, and that includes maximising the value.

(Short adjournment)

The Hon. CATHERINE CUSACK: Prior to resuming questions, earlier in questioning the Hon. Walt Secord made statements of fact quoting from a document. I would like to ask that he describe that document and table it for the Committee.

CHAIR: There has been a request to you.

The Hon. WALT SECORD: I will do it after. My paperwork is everywhere.

CHAIR: I assume it is a photocopy of a page from the electoral returns.

The Hon. WALT SECORD: I will get my staff to do it.

CHAIR: Are you happy to table it?

The Hon. GREG DONNELLY: We will consider it. Is this the extra \$5,000 or another one?

The Hon. CATHERINE CUSACK: This was an allegation you made that the Treasurer received a donation at his electoral office.

CHAIR: The \$1,500 one.

The Hon. WALT SECORD: The \$1,500. Do you have that one?

The Hon. GREG DONNELLY: We will have a look—

The Hon. WALT SECORD: We will have a look and come back to you.

CHAIR: You have no objection to tabling it though?

The Hon. MELINDA PAVEY: No, you do not have an objection.

The Hon. GREG DONNELLY: No—

The Hon. CATHERINE CUSACK: Can you just describe the document you were quoting from and then when it is available table it?

The Hon. GREG DONNELLY: No, you do not ask us to table it first.

CHAIR: They will find the document.

The Hon. WALT SECORD: We have documents everywhere here. I have been dealing with my staff in and out.

CHAIR: I gather they have no objection to tabling it when they can.

The Hon. WALT SECORD: I want to look at the document before I—

The Hon. MELINDA PAVEY: Greg said he did not.

The Hon. GREG DONNELLY: That is not true.

The Hon. WALT SECORD: That is not true.

The Hon. MELINDA PAVEY: He said "No, no, no, no, no"—like that.

CHAIR: They may need to look at the document. They may have their own notes written on the document now—

The Hon. WALT SECORD: Notations on it.

CHAIR: —which may be an original.

The Hon. WALT SECORD: You can see that there are notes on the back of everything.

The Hon. CATHERINE CUSACK: It looks like a complete mess to me so I can understand you needing to take some time. My request through the Chair is simply that the document that you were quoting from be tabled. I am just making that request.

CHAIR: You can table the document, which may be the document from the return, not your own notes.

The Hon. WALT SECORD: Can we consider that after we finish with the Treasurer?

CHAIR: Yes.

The Hon. WALT SECORD: During the break you had time to reconsider. I ask you for one last time: Will you please table the list of 37 errors? You have known since 31 October that this hearing was going to occur. I ask you to please table the list of 37 errors.

Mr MIKE BAIRD: We will release them. As I said—

The Hon. WALT SECORD: Today.

Mr MIKE BAIRD: As I said—

The Hon. WALT SECORD: This Committee is no surprise to you. You have known since 31 October.

Mr MIKE BAIRD: Can you just wait?

The Hon. MELINDA PAVEY: Point of order: The Hon. Walt Secord might not like the way the Treasurer is answering the question but he is attempting to answer the same question over and over. I urge you to ask the Hon. Walt Secord to desist from interrupting the Treasurer. While he might not appreciate the answer the Treasurer has given, please ask him not to waste everybody's time.

CHAIR: The Treasurer answered the question earlier. He has taken the question on notice so you cannot keep asking the same question.

The Hon. WALT SECORD: I will ask a new question.

Mr MIKE BAIRD: No. Can I respond to the question?

CHAIR: Yes.

Mr MIKE BAIRD: Let me just add, the reason I have said that is because we have asked every agency to consider the details to respond both in terms of how it happened and how we can minimise it going forward. There was a detailed plan covering the whole of government. Now, there are individual director generals and Ministers who will take accountability for that, and we are taking it on notice. As soon as that information is finalised we will bring it in and we are happy to take it on notice. The second thing is that I am happy to go through, if you want, all the ones in the Crown that I went over.

The Hon. GREG DONNELLY: No, we want the full list.

Mr MIKE BAIRD: If you want to go through the Crown—

The Hon. WALT SECORD: No, we want the full list of the 37 errors.

Mr MIKE BAIRD: Okay, you will get it.

The Hon. WALT SECORD: Mr Secretary, did you and Mr Baird meet earlier and agree—

The Hon. CATHERINE CUSACK: Point of order: The member should be asking his questions through the Minister, not directing them to officers. It is up to the Minister to direct them to other witnesses if he chooses.

The Hon. WALT SECORD: Okay, I will rephrase the question.

CHAIR: He may or may not send it on to his staff.

The Hon. CATHERINE CUSACK: It is a matter for the Minister.

The Hon. WALT SECORD: Treasurer, did you and Mr Gaetjens meet earlier and agree that you would collude together and not release the 37 errors?

The Hon. CATHERINE CUSACK: This is not ICAC.

Mr MIKE BAIRD: That is your style. I know you are a champion colluder and who knows what deals you did behind closed doors. Put it this way—

The Hon. WALT SECORD: Yes or no?

Mr MIKE BAIRD: —there is nothing we are hiding. The information is coming, so just relax. We have told you it is coming, and it is coming. We are happy to go through our responsibility. I know it is a surprise to you. You were Chief of Staff to the Premier; I thought you would get this. There are individual Ministers and those individual Ministers have director generals and they have responsibility for their budgets and their approaches. So in relation to that they are finalising that information, they are bringing it forward and we are happy to respond.

The Hon. WALT SECORD: One last time: Through Mr Treasurer to the Secretary, did you and Mr Baird meet earlier and agree that you would not release the 37 errors—the full list—at the hearing today?

Mr MIKE BAIRD: We have answered the question.

The Hon. GREG DONNELLY: I move on to the issue of—using the Treasury Secretary's language—the "appointment".

Mr MIKE BAIRD: So we are off the budget. You would not want to stay too long on the budget.

The Hon. GREG DONNELLY: No. I refer to the appointment of the Auditor-General to the new role.

Mr MIKE BAIRD: Yes, okay.

The Hon. GREG DONNELLY: There was an appointment, and I am happy for either Mr Gaetjens or the Treasurer to answer this question. What are the specific terms of that engagement and are they in writing? If they are, could a copy of those terms be provided to this Committee today?

The Hon. CATHERINE CUSACK: This is embarrassing.

Mr MIKE BAIRD: We have that. We are happy to table it. It was consistent with my release when that went out.

The Hon. GREG DONNELLY: I will move on; I will not press it if you are going to table the letter. Is it a letter of appointment? Is that what we are talking about? It appoints him and outlines what his role will be. Is that correct?

Mr MIKE BAIRD: It is as under the Act, yes.

The Hon. GREG DONNELLY: And that will be tabled to this Committee? Is that what you are saying?

Mr GAETJENS: There was a letter from the Treasurer to the Auditor-General and a response from the Auditor-General to the Treasurer specifically outlining the terms—again, to me it is semantics whether it is appointment or engagement. He is appointed under a specific section of the Public Finance and Audit Act.

The Hon. GREG DONNELLY: I understand.

CHAIR: Those letters, the ones to and from, will they be tabled?

Mr GAETJENS: I cannot see a problem with that.

The Hon. GREG DONNELLY: Thank you. In terms of the Auditor-General, will he be involved in this "preparation" role or is he delegating the task or tasks to other officers in his department?

Mr MIKE BAIRD: You mean like a usual audit? The Secretary can answer if there is anything different, but ultimately the Audit Office is involved.

The Hon. GREG DONNELLY: This is an appointment of the Auditor-General to deal with—

Mr MIKE BAIRD: It is a request for the Auditor-General to play a limited assurance role, which is consistent with the Public Finance and Audit Act and accounting standards.

The Hon. CATHERINE CUSACK: Point of order: The Treasurer cannot answer for the Auditor-General. That is a separate line of questioning.

The Hon. GREG DONNELLY: He sent him a letter of engagement.

The Hon. CATHERINE CUSACK: I suggest that some of these questions of detail be directed to the Auditor-General.

Mr MIKE BAIRD: The Secretary can answer and add more detail.

Mr GAETJENS: As to the arrangement in the Audit Office, one of the senior officers of the Audit Office is, I think, called the review manager or some term like that. Above her are two reviewers of that work, so it is done by officers of the Audit Office.

The Hon. GREG DONNELLY: There are three of them, as you understand it?

Mr GAETJENS: Yes—probably more. There will be people helping the nominated reviewer, if you like.

The Hon. GREG DONNELLY: And their work done will be signed off by the Auditor himself as to what is the outcome of the exercise that he has been participating in?

Mr GAETJENS: I am not fully conversant with the practices within the Audit Office so I will not answer that question, but I would expect that.

The Hon. GREG DONNELLY: Has this engagement commenced? Has this arrangement commenced with the audit?

Mr GAETJENS: Yes.

The Hon. GREG DONNELLY: Does the arrangement cease on or before 30 June 2013? In other words, is it just for the current financial year?

Mr MIKE BAIRD: It is, but we will consider it at that point. It is not necessarily limited to that but at this point it is the half year together with the budget next year.

The Hon. GREG DONNELLY: In terms of the nature of the letter between you and the Auditor-General and back to you, it is not limited to the end of this current financial year? It does not have the date.

Mr MIKE BAIRD: I think it specifically answers those two. It is a half year and the 2013-14 budget. But as I said, it does not mean that we do not continue it.

The Hon. GREG DONNELLY: You may not seek to re-engage him for longer?

Mr MIKE BAIRD: We may not, yes.

The Hon. GREG DONNELLY: What payments will be made to the Auditor-General's office in terms of the services that will be provided regarding the two exercises that his office will conduct?

Mr MIKE BAIRD: That is being determined. Obviously, like doing financial audits, performance audits, the Audit Office undertakes many activities. We do not expect there to be significant costs in relation to it but it will be absorbed within the existing budget. Whatever it is, it will be absorbed within the existing budget.

The Hon. GREG DONNELLY: Have you—either you or the Secretary of the Treasury—had any discussions with the Auditor-General about what those fees might be?

Mr MIKE BAIRD: Not finalised.

The Hon. GREG DONNELLY: No, I said "any discussions".

Mr GAETJENS: There have been discussions with respect to fee arrangements, but I am not sure whether they have been finally settled yet.

Mr RONSISVALLE: No.

The Hon. GREG DONNELLY: Can you help elucidate in terms of saying what those fees might be approximately?

Mr GAETJENS: They have set out the hourly rates of the individuals involved and I think it is for them to get a handle on engaging with agencies, as well as us, and maybe working out what will be required before they can actually estimate the final amount.

The Hon. GREG DONNELLY: In terms of that schedule, the hourly rates of pay, are they set down in some document that has been exchanged with the Treasury or the Treasurer's office?

Mr GAETJENS: Yes.

The Hon. GREG DONNELLY: Are they outlined in a letter or a piece of correspondence?

Mr GAETJENS: They would be part of, I think, the final engagement letter for the actual process.

Mr MIKE BAIRD: Again, whatever the cost is, it would be absorbed within the existing budget.

The Hon. GREG DONNELLY: To be clear, is there, in fact, a further engagement letter? Because I thought the engagement letter was the one you have agreed to provide to the Committee.

Mr GAETJENS: This is the engagement for the actual audit itself, rather than the engagement of the Audit Office to do the audit. The engagement sets out the process, the detail of the exercise in which they do it.

The Hon. GREG DONNELLY: Are you prepared, or is the Treasurer prepared, to provide a copy of that correspondence, when it is finalised, to this Committee?

Mr GAETJENS: Can I take that on notice again, because I would probably like to seek the agreement of the Auditor-General as well? It is his letter.

The Hon. GREG DONNELLY: I am not sure whether this was discussed in the discussions with the Auditor-General's office, but in terms of the fee, if I could use that phrase, the fee that will be charged by the Auditor-General on behalf of his office, do we know how that is going to be reflected in the Auditor-General's accounts? Is it a fee-for-service arrangement? Is this what we are talking about? I am trying to understand. He is charging a fee to Treasury for work to be done in, effectively, two parts. How is that to be reflected? Is that a fee for service that he would then reflect in his accounts?

Mr GAETJENS: Can I take that on notice? I expect it will be done in a similar arrangement, that the Auditor-General now charges fees to agencies for their audit.

The Hon. GREG DONNELLY: If you could take that on notice that would be great.

Mr GAETJENS: Sure.

CHAIR: It is now a normal procedure, it is not just for you; it happens with all departments?

The Hon. CATHERINE CUSACK: And he reports it in his report, what the fee is.

Mr GAETJENS: I do not wish to answer in detail because it is the Auditor-General's fees and I am not the Auditor-General. I am happy to take it on notice.

CHAIR: But it is a normal procedure what he is doing, charging you against all the other agencies? It is user pays.

The Hon. WALT SECORD: Earlier in the proceedings Catherine Cusack challenged me to present the document from Advocacy Services Pty Ltd showing that a meeting for \$1,500 took place in Mr Baird's electoral office. I have personal writing on it but I will get a staff member to photocopy it and I will table a clean copy.

The Hon. CATHERINE CUSACK: To clarify, that will be the donor return that was lodged. Will you table the donor return that was lodged—?

The Hon. WALT SECORD: I will table what you asked me to table.

Mr MIKE BAIRD: No, you want to duck away. That is just complete rubbish.

The Hon. CATHERINE CUSACK: You are only going to table one page of the donor's return, not the whole donor's return, is that correct?

The Hon. WALT SECORD: Catherine, you challenged me to—

The Hon. GREG DONNELLY: We agreed to deal with this at the end of the meeting.

The Hon. CATHERINE CUSACK: I asked you if you would table the document, because the fact is, it is full of donations to the Labor Party made to their electorate offices.

The Hon. GREG DONNELLY: That is absolute rubbish.

The Hon. CATHERINE CUSACK: The member has raised this issue, Mr Chairman.

The Hon. WALT SECORD: You raised it.

The Hon. CATHERINE CUSACK: I asked him to table the complete return that he was quoting from and to table one page—one extract—that omits all the information of the Labor Party donations. It is a disgrace and it misleads this Committee.

The Hon. GREG DONNELLY: Could I ask for the clock to be stopped please? It is interference.

Dr JOHN KAYE: Point of order: I think it is a reasonable request that the clock be stopped on the Opposition's questions at this time.

The Hon. WALT SECORD: She is clearly running interference. She is clearly using our time.

The Hon. CATHERINE CUSACK: You returned to the issue; I am responding to you returning to the issue. You should not have returned to the issue if you did not want this interruption.

CHAIR: You have asked for that document.

The Hon. CATHERINE CUSACK: The full document.

CHAIR: No, it would be the sheet he was quoting from.

The Hon. CATHERINE CUSACK: I have requested the document he was quoting from.

The Hon. WALT SECORD: No Catherine, you requested the sheet.

The Hon. CATHERINE CUSACK: No, I requested the document he was quoting from.

CHAIR: He held up a sheet.

The Hon. CATHERINE CUSACK: He is deliberately trying to mislead the Committee, the Treasurer and the public. I would like the member to table the complete document that he was quoting from, because it is fascinating that he won't.

The Hon. WALT SECORD: Please stop running inference and let the Treasurer answer the questions.

The Hon. MATTHEW MASON-COX: Another cover up.

The Hon. CATHERINE CUSACK: Walt, we are tired of this attitude.

CHAIR: He has agreed to table the document, so we will proceed.

The Hon. CATHERINE CUSACK: We are tired of this spin.

CHAIR: We will go back to the Opposition question.

The Hon. GREG DONNELLY: Can I just return to the issue of the setting of the fees for the directors of Networks NSW, a matter that we discussed earlier.

Mr MIKE BAIRD: Oh, I think it is funny—

The Hon. WALT SECORD: You might think it is funny.

Mr MIKE BAIRD: —that you have the hide to come in here and ask questions about people we are employing to fix up the mess you have left behind, making an impact and actually reducing electricity costs across this State for every household.

The Hon. WALT SECORD: A substantial donor to your personal election campaign.

Mr MIKE BAIRD: And the Gentrader transaction, let us talk about that as long as you want.

The Hon. GREG DONNELLY: Treasurer, were you associated, as the Treasurer of New South Wales, in any way with the setting of the remuneration for the directors, including the Chairman of Networks NSW? Were you, in any way, associated with that exercise?

Mr MIKE BAIRD: Greg, what I was happy to oversee was a reduction in costs, one and a half million dollars a year—

The Hon. GREG DONNELLY: So you won't answer the question?

Mr MIKE BAIRD: —in terms of boards, in terms of CEO, in terms of senior management.

The Hon. GREG DONNELLY: So, in doing that, did you set that?

Mr MIKE BAIRD: I cannot believe that you would come here and even talk about electricity. How can you talk about electricity when you have overseen a Gentrader transaction, when the directors—

The Hon. WALT SECORD: Treasurer—

Mr MIKE BAIRD: No. Mr Chair, they have asked this question, it is about electricity, it is about appointments and I would like to give an answer.

The Hon. GREG DONNELLY: Mr Chairman, the question was very specific.

CHAIR: The Treasurer is answering the question.

The Hon. GREG DONNELLY: Point of order—

Mr MIKE BAIRD: I have not even answered yet.

The Hon. GREG DONNELLY: Point of order: I specifically read the question out so it was absolutely abundantly clear: Were you, Treasurer, associated in any way with the setting of the remuneration for the directors, including the Chairman, of Networks NSW? You can answer yes or no.

Reverend the Hon. FRED NILE: The Treasurer has the right, as occurs in the House, to answer the question in the way he wishes to answer it.

The Hon. CATHERINE CUSACK: To the point of order: It is not possible for him to hear the answer when he is talking over the top of him.

The Hon. GREG DONNELLY: I will take that as a "yes".

The Hon. WALT SECORD: So, it is a "yes".

Mr MIKE BAIRD: This is the issue: Yes, I was happy to sign off on a reduction in costs, one and a half million dollars costs, in relation to board appointments and CEOs—very happy to sign off.

The Hon. GREG DONNELLY: Are you, therefore, saying you signed off on this appointment and these fees? You have just acknowledged it.

The Hon. WALT SECORD: It is a little bit outside the wages policy, isn't it; 87 per cent is a bit different than 2.5 per cent—a little outside the wages policy?

CHAIR: Let the Treasurer answer the question.

Mr MIKE BAIRD: What you did is, you did not disclose to the people of New South Wales on that night that the Gentrader directors resigned. What did they say? Tony Maher said, "It was always a dud deal. I think it is a disgrace." The Government stands condemned for basically pulling a rort and who did they put in? Who did you appoint, Walt? You appointed Col Gellatly. He happened to have been paid over \$400,000 in relation to the electricity transaction.

The Hon. GREG DONNELLY: It is interesting that the Treasurer has not declared his donations.

Mr MIKE BAIRD: Kim Yeadon, \$400,000 in relation to the electricity transaction. John Dermody, \$600,000 in relation to the electricity transaction and Jan McClelland—all of them the directors who came in—

The Hon. GREG DONNELLY: Your total spending, last two elections, \$340,000—

Mr MIKE BAIRD: I am talking.

CHAIR: What is your next question, Mr Donnelly?

The Hon. GREG DONNELLY: \$340,000 and you have not declared any of it.

Mr MIKE BAIRD: Have you followed Liberal Party policy? You probably don't, mate.

The Hon. GREG DONNELLY: So you don't declare?

Mr MIKE BAIRD: It goes to the Liberal Party. Talk to the Liberal Party if you want to talk about it, Greg.

The Hon. GREG DONNELLY: Well, you are a member of the Liberal Party.

Mr MIKE BAIRD: As it turns out, and I know that because I am cleaning up your mess made while you were in Government.

The Hon. GREG DONNELLY: You have spent \$340,000 on your two election campaigns and in terms of donations and funding, it has got a big, fat zero. How would you explain that, Treasurer?

Mr MIKE BAIRD: Well, you would explain it, because the donations go to the Liberal Party. Let me answer this. I can't believe that you are going to sit here—

The Hon. CATHERINE CUSACK: Point of order: Mr Chairman, he is asking questions about Liberal Party donations.

Mr MIKE BAIRD: Catherine, let me grab these guys.

The Hon. GREG DONNELLY: You have grabbed yourself.

Mr MIKE BAIRD: I have done nothing of the sort, and you know I have done nothing of the sort.

The Hon. GREG DONNELLY: \$340,000 and nothing declared.

Mr MIKE BAIRD: For you to have the hide to come into this place and raise those sorts of nonsense allegations—and that is what they are, complete and utter nonsense.

The Hon. GREG DONNELLY: The NSW Electoral Commission, buddy.

Mr MIKE BAIRD: For you to come in here, when down there in Castlereagh Street, the rest of the State is looking at the sort of deals that were going on while you were both there, well, I say to you: you have some hide and you should hang your heads in shame. I am proud to stand as part of a Government that is improving transparency. I am also proud to be part of a Government that is putting people into jobs on the basis of merit. I am also proud to be cleaning up your mess, because the people of New South Wales deserve much

better than the mess you have left behind. And I will tell you what, we are not going to be finished fixing up your mess for a long time, but we are going to do exactly that.

The Hon. GREG DONNELLY: You are not even embarrassed. You spend \$340,000—

Mr MIKE BAIRD: You are asking a question, Greg, when you know what went on.

CHAIR: It should be made clear that it is normal procedure that candidates' donations go to the party and they put in nil returns.

Mr MIKE BAIRD: They do not know that.

The Hon. CATHERINE CUSACK: How about some questions about the budget from the Labor Party?

The Hon. WALT SECORD: How many times did you practice that answer in front of the mirror today?

Mr MIKE BAIRD: Walt, are you kidding? If that is what you did to your former Treasurer you did not do a good job. And if that is what you did to KK, she should be doing much better than that. That explains everything. Is that how you go about it? Is that what you think this is, a game, a performance, so you can throw some mud?

The Hon. GREG DONNELLY: You did not even tell us what the 37 questions were.

Mr MIKE BAIRD: The reason I came into this job, first and foremost, is because I love my community and I want to make a difference to them. The second is I thought if I got a chance to play a role in Cabinet I could do a much better job than all of you. And yes, I can. I am going to do that with the long-term interests of the people of New South Wales at heart. If you want to get me out of here you will have to do much better than this, because that does not even touch the sides.

Dr JOHN KAYE: This is an explanation. The Auditor-General at page 48 of his report refers to 37 errors. How did the Auditor-General know there were 37 errors? How did you know there were 37 errors? What did he base that information on?

Mr MIKE BAIRD: As I said, he has gone through and identified a range of misstatements or errors. Each agency is now considering those in detail. They will respond in terms of the action plan to the substance of those.

Dr JOHN KAYE: Do you possess that list of 37 errors?

Mr MIKE BAIRD: Yes, we do.

Dr JOHN KAYE: Did you give that to the Auditor-General?

Mr MIKE BAIRD: It is the Auditor General's list.

Dr JOHN KAYE: So he created that? He went through and created that list and gave it to you?

Mr MIKE BAIRD: Yes.

Dr JOHN KAYE: And you have that list?

Mr MIKE BAIRD: Yes.

Dr JOHN KAYE: You have it here with you?

Mr MIKE BAIRD: We do have the list—

Dr JOHN KAYE: With you here today?

Mr MIKE BAIRD: What I am saying—

Dr JOHN KAYE: No, do you have the list here with you today?

Mr MIKE BAIRD: I do not have the list in front of me, no.

Dr JOHN KAYE: You do not have it here?

Mr MIKE BAIRD: No. But we have asked each director general to respond to these specific issues.

Dr JOHN KAYE: No, I paid you the courtesy of filtering through the noise and listening carefully to what you said. You said you were asking for their responses.

Mr MIKE BAIRD: Yes.

Dr JOHN KAYE: Initially there exists a list of 37 programs, I presume, within agencies of the New South Wales Government with a dollar amount next to them by which they were out in one direction or another. You possess that list?

Mr MIKE BAIRD: Yes, we do.

Dr JOHN KAYE: When was it given to you by the Auditor-General?

Mr MIKE BAIRD: When the report came out.

Dr JOHN KAYE: On the day that the report came out? So you have had the list for three weeks?

Mr MIKE BAIRD: Yes. And that is what we have said. I am happy to run through our responsibility, which is through the Crown—

Dr JOHN KAYE: Is there anything secret about that list?

Mr MIKE BAIRD: There is absolutely nothing secret. That is my point, we are very happy—

Dr JOHN KAYE: To escape all that, so I can move on to ask other questions I want to ask, could you ask one of your staff to bring it down here so we can table it?

Mr MIKE BAIRD: I will take it on notice. We are going to respond—

Dr JOHN KAYE: On notice means 25 days.

Mr MIKE BAIRD: We are going to respond once we have a response from the directors general and Ministers in relation to—

Dr JOHN KAYE: But you will not put it out before you have that response?

Mr MIKE BAIRD: No.

Dr JOHN KAYE: Why would you not put it out before you have that response?

Mr MIKE BAIRD: Because we want each agency, each director general and each Minister to respond to the queries raised. They have every right to go through the detail and understand the misstatement, understand whether they agree—and they may well disagree—but we are saying the Auditor-General has a clear position. They have a chance to respond to that, and as soon as they do we are happy to table it.

Dr JOHN KAYE: I fully understand. It is the Auditor-General's set of statements and you want them to respond. I think that is reasonable. In an environment where we are cutting \$1.7 billion out of the education budget do you not think the people of New South Wales would have an interest in that statement from the

Auditor-General, appreciating it is purely a statement from the Auditor-General, and does not contain responses. Do you not think it would be appropriate to put that out in the public domain?

Mr MIKE BAIRD: But the thing is the Auditor-General has signed off on the accounts. He is satisfied with those misstatements, the position where it sits within the accounts. He has qualifications in relation to them. So he has signed off, as any Auditor-General would, on the accounts. The misstatements need to be worked through but he is satisfied on the accounts as they stand.

Dr JOHN KAYE: I appreciate that, but there are still 37 errors that he raises, two of them the size of the \$2 billion, many of them quite large. You are keeping that as a secret list?

Mr MIKE BAIRD: No, we are not. I am giving the opportunity for the agencies to respond so they understand in detail—

Dr JOHN KAYE: So we have to wait until we get the agencies' response until we see the original list?

Mr MIKE BAIRD: Yes.

Dr JOHN KAYE: I think that is wrong. Let me move on to something you said before—the issue of tobacco—and congratulations on getting the State out of direct and indirect investments in tobacco. What date will it be when we are finally free of tobacco investments, direct or indirect?

Mr MIKE BAIRD: We do not have a date yet.

Dr JOHN KAYE: What is your target?

Mr MIKE BAIRD: The target is as soon as possible and as soon as practical. Obviously we need to talk to all the agencies to make sure processes are put in place to deliver that. We are in a position that we can move very quickly, certainly in TCorp, but we hope to be out as soon as is practical.

Dr JOHN KAYE: Does that mean a year, a decade, a week? What timescale are you talking about? When people say as soon as practical it often means never. Do you have a target in your mind as to when you would like to be out of tobacco?

Mr MIKE BAIRD: No. I would expect within the next quarter it will be done.

Dr JOHN KAYE: Within the next quarter?

Mr MIKE BAIRD: Yes.

Dr JOHN KAYE: Can we go to Cobbora coalmines? You will recall sitting in a room somewhat similar to this on 19 January, I think. You gave a heated and accurate exposition of the problems of Cobbora coalmine. As I understand it, 5.5 million tonnes per year from Cobbora are contracted to non-State entities. From recollection there are about three million or four million tonnes a year contracted to State entities and the rest is uncontracted. Let us go to the State entities. Have you looked at the proposal that those State entities could be asked to relinquish their contract with Cobbora?

Mr MIKE BAIRD: You have seen what was announced with Cobbora so, again, I find it amazing that those opposite spend most of their time in budget estimates on their usual—

Dr JOHN KAYE: But you are talking to me now.

Mr MIKE BAIRD: I understand, but the Cobbora deal stands as what I think is the worst piece of public policy I have ever seen in this State. It is unbelievable. The gentraders were sold, which the Auditor-General spoke about being at less than half their value—and it was not known at the time—but even that was offset against the subsidy effectively given to Cobbora. The net present value of Cobbora currently sits at about \$1.5 billion loss to the State. The money that comes in just about covers operating costs but not the capital cost. The expectation is we have to spend \$1.6 billion on capital costs. We have said, from an economic point of view, that does not make a lot of sense. We have to get to a position that we minimise that as much as possible. So we will be going to the markets to look at alternative coal supply arrangements as a number of strategic

considerations. If we do not have to invest that \$1.6 billion it is money that can be taken for forward estimates, that is money we do not have to borrow, and that is something in the long-term interests of the State.

Dr JOHN KAYE: It is a three-pit mine so you can do it in third chunks. You could take a third of that off overnight by issuing a section 20N directive to State entities that have a contract with Cobbora. Have you given consideration to that?

Mr MIKE BAIRD: Obviously we are talking to State entities as part of that. The problem was the long-term coal supply arrangements were left to run down, as we have spoken about at length. We should never have let those long-term coal supply arrangements get to the short-term but we are now in a position where there is surplus coal, falling commodity prices and coal prices and across the Hunter there is surplus coal. The issue with that is: Can we for a cost-effective price? At the moment because of transport and falling commodity prices there is a chance we can secure coal at a similar price but without investing in the capital. So we need to understand from the State-owned corporations, together with the owners of the gentraders, and whether we can source alternative supply, and that is exactly what we are looking at.

Dr JOHN KAYE: There are two different problems here, are there not? There is a State-owned corporation, a State entity, where you can fix the problem with a section 20N directive to say dump your contract at Cobbora and go and find alternative contracts—and that is easily fixed. The more complex one is the 5.5 million tonnes per year contracted to the gentraders. Have you begun the process of talking to the gentraders?

Mr MIKE BAIRD: We have started that process. The same argument applies to the State-owned corporations as much as to the gentraders because we need to look at what coal could be available. So before you issue the directive you need to make sure they actually have the coal that is required. We need to run through that as well. I can assure you we are taking every action to minimise that negative cost to the State—that \$1.6 billion loss.

Dr JOHN KAYE: Are you worried that the \$1.6 billion, being a direct subsidy to some but not all of the coal-fired generators in New South Wales, will have a distortionary impact on the national electricity market, particularly in the longer term?

Mr MIKE BAIRD: There is a range of problems with that particular transaction.

Dr JOHN KAYE: Apart from the \$1.6 billion that the State will not have—that is another issue—the impacts on the market itself.

Mr MIKE BAIRD: That is right: the one that not even a business case was put together for. I do not know whether the impact would be that significant across the broad market, but clearly in this State if there is a capacity to find an alternative source or to minimise that loss then we will do exactly that

Dr JOHN KAYE: Would you consider putting Cobbora on hold while this happens? As you know, there is a Planning Assessment Commission meeting on Cobbora in two weeks time. You have been critical of it. I understand your argument that there are contracts over the coalmine but at least at this stage those contracts do not begin until 2015. The Planning Assessment Commission is ploughing ahead with its assessment of Cobbora. Would you not put that on hold?

Mr MIKE BAIRD: We cannot, John. Ultimately if we do not find an alternative source and the existing generators need the coal we have to provide it. As you know, the liquidated damages are such that run across the top of the contract—

Dr JOHN KAYE: Yes, but the spot price for coal at the moment is low compared with what it was. It is down around \$60 a tonne, is it not?

Mr MIKE BAIRD: Yes, it does give us a capacity to negotiate, there is no doubt about that, and that is a positive. That is why we need to move quickly in relation to it because the economic environment is such there is a window to maximise that.

Dr JOHN KAYE: Given the contractual flexibility you have with respect to the State-owned generators compared with the lack of flexibility you have with the gentraders, does that not sound alarm bells for you with respect to privatising the electricity industry in general?

Mr MIKE BAIRD: I do not think so, John. Why is it? I do not understand why you would be—

Dr JOHN KAYE: You have section 20N control over the State-owned entities and you have no such control over the gentraders. We can get out of Cobbora the three million tonnes a year contracted to the State-owned entities but it is much harder to do so with the 5.5 million tonnes a year contracted to the gentraders. At a time when there is huge uncertainty about the future of the coal contracts you are embarking on a process of selling the coal-fired generators. Are there not issues associated with that?

Mr MIKE BAIRD: It is across the board, John. One of the solutions could be that Cobbora is a smaller size. It might be we can contract to a certain level but once you balance up across all of them—it is hypothetical.

Dr JOHN KAYE: But generators you are selling are not impaired by gentrader contract. Right now there are issues associated with coal contracts because the previous Government did not negotiate long-term coal contracts.

Mr MIKE BAIRD: Correct.

Dr JOHN KAYE: So you are selling those generators at a time when they do not have long-term coal contracts. Does that not impair their value significantly?

Mr MIKE BAIRD: No. At the moment we have Cobbora filling the gap for them.

Dr JOHN KAYE: That is exactly my point.

CHAIR: We have to move on. Dr Kaye's time has expired.

Mr MIKE BAIRD: We obviously have to balance it and ultimately what we are trying to do is look for alternative options and that is something we will pursue vigorously.

CHAIR: The list of 37 errors has been raised a number of times. It could be concluded that there is one error per agency or department but it is quite possible that there may be a number of errors in one department and some departments and agencies have been very accurate in their accounting? Is that a possibility?

Mr MIKE BAIRD: It is. As those opposite know, it is a problem that has existed in this State for 10 years. We are taking action to fix them. We will release the details; there is no problem about that. All we are asking for is that the directors general and Ministers have a chance to understand the reason, the processes they have in place and the people who are there so that they understand the response and actions they are taking and taking account for. That is all I am asking.

CHAIR: I am asking you, from your observation, whether there would possibly be more errors in one department than in others.

Mr MIKE BAIRD: It is across government.

CHAIR: It may be embarrassing if the list was produced showing a large number of errors in one department. It is not one error per department for 37 different departments?

Mr MIKE BAIRD: No, but the point is that this is something that has been long running.

CHAIR: I recognise that.

Mr MIKE BAIRD: It is something that needs to be fixed and we have taken action to do it. We asked the questions in relation to the accounts and the reporting when we were in opposition. We asked the Commission of Audit to look at it. They made recommendations as part of that. We have then acted and responded to those recommendations. We are taking action. All we are saying now is that in relation to

minimising the errors in future—noting that the Auditor-General has signed off on the accounts and noting the qualifications—and the substance of them, that the directors general and the Ministers have a chance to consider those and submit their response and then we are very happy to provide those details.

CHAIR: As Treasurer you have responsibility for all the finances of the State even though you are not intimately involved with the detail. Do you have any response to the situation we faced in the Cronulla Fisheries inquiry when we could not get a business plan? There was no business plan for the closure of the centre. On the last day an officer from the properties department held up a sheet of paper and said, "We now have a business plan." I asked, "When did you produce it?" He said, "Yesterday." What is your reaction to that as an indication of a lack of efficiency within financial areas of the Government?

Mr MIKE BAIRD: I think the culture needs to be improved. There is no doubt about it. Ultimately, business cases are an important part of any decision-making process. The example I gave on Cobbora that Dr Kaye was talking about has cost this State \$1.6 billion, and there was no business case. How did that happen? When the Solar Bonus Scheme was put together they actually froze Treasury out of putting forward any details in relation to the numbers. They made a decision without any Treasury input into the Solar Bonus Scheme.

CHAIR: I am well aware of the gentrader problem because I chaired that inquiry and everything you are saying is absolutely correct. That is what the committee found.

Mr MIKE BAIRD: There is a lot that needs to be improved, Mr Chairman. I totally support what you are saying.

CHAIR: Thank you very much for your attendance before our Committee. We appreciate that. You have a heavy load on your shoulders so we thank you for your time.

Mr MIKE BAIRD: It is a pleasure.

(The witnesses withdrew)

The Committee proceeded to deliberate.